



Palestinian Culture Tells the Story of Our People

Annual Report  
**2012**



الوطنية موبايل  
wataniya mobile



Palestinian Culture Tells the Story of Our People



Annual Report  
**2012**

5

## About Us

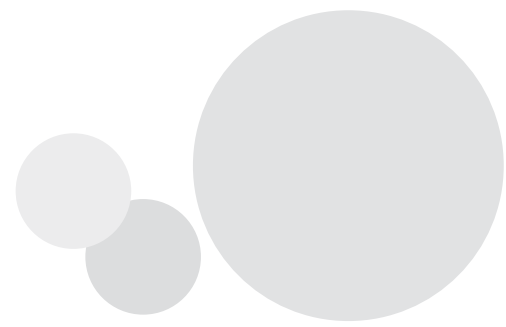
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Your

dreams • goals • future

our focus

W9



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About Us

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## Message from the Chairman of the Board of Directors

Dear shareholders and subscribers,

In the midst of the tremendous progress witnessed in the telecommunications sector in Palestine since the launch of Wataniya Mobile's commercial services, the Company has succeeded in proving its worth in the Palestinian telecommunications market, and realizing a number of achievements on the services, financial, and investment levels. Moreover, after reaching more than 600 thousand subscribers in the West Bank during 2012, Wataniya Mobile is preparing to expand its operations into the Gaza Strip.

The Palestinian telecommunications market continues to be a promising sector in terms of growth and profitability potential. Wataniya Mobile's positive performance during the past year is reflected in its status as the third-largest listed Company on the Palestine Exchange in terms of market value, amounting to U.S. \$327,660,000 at the end of 2012 and representing about 13.8% of the Al-Quds Index, despite the continuing political and economic instability and crisis that has been affecting Palestine.

In 2012, and in order to finance its mobile network in the Gaza Strip and expand its existing network in the West Bank, Wataniya Mobile signed a new Syndicated Loan Agreement valued at U.S. \$125 million with a group of local and regional banks, as well as the International Finance Corporation, which contributed U.S. \$50 million to this loan. This loan reflects the confidence of prominent local, regional and international financial institutions in the success of Wataniya Mobile.

Dear Investors,

The existence of Wataniya Mobile as a second provider of mobile telecommunications has reinforced the telecommunications sector in Palestine and expanded the available service offering in the market significantly.

The fact that the telecommunications sector is no longer dominated by a single player has increased the competitiveness of the market, which resulted in a significant shift in the quality and cost of services offered. Given our operating results in 2012, Wataniya Mobile has exceeded expectations in terms of innovative services and offerings in the world of mobile telecommunications, reflecting positively on the market share of Wataniya Mobile, which increased from 24%\* at the end of 2011 to 28%\* at the end of 2012. In terms of operating revenue, Wataniya Mobile witnessed a growth of around 12% in 2012 compared to 2011.

Today, Wataniya Mobile eagerly awaits its entry into the Gaza Strip market and the chance to provide its unique services to the Palestinian people there. All the technical preparations to launch Wataniya Mobile's services in the Strip have been successfully finalized, and Gaza's airspace awaits the first outgoing call from a "056" number. All plans related to trade, operations, marketing and deployment strategy are ready as well, awaiting the needed Israeli approvals to commence operations in the Gaza Strip with the goal of uniting the Palestinian spectrum.

Finally, allow me to thank all of Wataniya Mobile's subscribers and investors for their trust, which compels us to work even harder. I would also like to thank the members of the Board of Directors and executive management, in addition to all of Wataniya Mobile's staff, who were responsible for this success story.

With a spirit of determination and perseverance, let us welcome 2013, which we hope will be full of progress and growth for Wataniya Mobile, Palestine and Palestinian people everywhere.

Respectfully,

*Dr. Mohammad Mustafa*  
Chairman of the Board of Directors

\* Market share comprises the West Bank, 2011 figure is based on companies' disclosures, while 2012 figure is an estimate.



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**Dr. Mohammad Mustafa**

Chairman of the Board of Directors  
Representative of  
Palestine Investment Fund



**Dr. Nasser Marafih**

Vice Chairman of the Board of Directors  
Representative of  
Wataniya International



**Mr. Michael Hancock**

Member  
Representative of  
Wataniya International



**Mr. Khalid Al Mahmoud**

Member  
Representative of  
Wataniya International



**Mr. Faisal Al-Shawwa**

Member  
Representative of  
Palestine Investment Fund



**Dr. Durgham Maraee**

Member  
Representative of  
Palestine Investment Fund



**Mr. Amer Sunna**

Member  
Representative of  
Wataniya International

## Members of the Board of Directors







# Our Vision

To become the telecom provider of choice in Palestine by leading in customer experience and innovation while fulfilling stakeholders' expectations.

# Our Values

**Respect All:** Embracing modesty and respecting everyone regardless of their position or status.

**Engage Others:** Contributing to our community and building social partnerships that add long-term and sustainable value.

**Make a Difference:** Innovation that matters is at the core of everything we do.

With a steady pace, we continue our pursuit to become the leading choice in the Palestinian market.



## Message from the Chief Executive Officer

Dear shareholders and subscribers,

I am pleased to present you with Wataniya Mobile's second annual report. In its pages, we detail our achievements during 2012, in compliance with the principles of transparency and corporate governance that have embodied the work of Wataniya Mobile since its inception.

### A Solid Base and Firm Foundations

Over the past three years, Wataniya Mobile has successfully completed milestones that included the commercial launch of the Company's services and establishing a local and regional presence.

In 2012, Wataniya Mobile continued to improve the quality of its services; capital expenditures to upgrade our network and information systems totalled U.S. \$21.4 million. The investment was made as a planned effort to increase the network's capacity and coverage through the installation of additional broadcast stations. Additionally, 2012 saw further expansion and upgrade of the Company's operational systems. In 2013, and as part of our plan to grow our subscribers' base, Wataniya Mobile intends to further increase its investment in network and information systems expansion.

Despite the challenging economic conditions the country went through over the past year, and despite the fiscal crunch the Palestinian government faces, which led to a significant drop in consumer purchasing power leading to a decrease in demand, Wataniya Mobile continued to drive growth in terms of revenue and subscribers' base. During 2012 the Company passed the half a million subscribers' threshold, reaching more than 610 thousand subscribers by year end, up by 31% from 2011. Additionally, revenues reached U.S. \$84.1 million in 2012, up from U.S. \$75.0 million in 2011, an improvement of 12%. In terms of market share, the Company's market share reached 28%\* at the end of 2012, compared to 24%\* at the end of 2011.

While driving growth in revenues, management continued its policy of controlling expenditures, thereby enabling Wataniya Mobile to raise its EBITDA to U.S. \$6.4 million at the end of 2012, compared to U.S. \$3.9 million at the end of 2011.

### Qualified Staff and Driven Team

Realizing these successes of the past three years was only possible due to the dedication of Wataniya Mobile team. Investing in our human resources continues to be a corner stone to our corporate development. With a growth rate of 14% (2009-2012), the total number of staff reached 419 employees at the end of 2012. Of the 419 employees, 332 underwent over 8,000 hours of training during the past two years. Wataniya Mobile is committed to continue to develop the team's capabilities at all levels in engineering, operations, administration, marketing, sales and finance. Today we are proud of the fact that our team is 100% Palestinian.

### A Sense of Patriotism and Pioneering Partnership

As part of our commitment to the community we come from, Wataniya Mobile has evolved its corporate social responsibility activities into a long term community partnership program that aims to help improve the quality of life for marginalized Palestinians. Year 2013 will witness the launch of this program together with Wataniya Mobile's local and regional partners.

Based on our conviction to protect and promote our Palestinian identity, particularly our cultural identity, Wataniya Mobile was a major promoter of culture in 2012 driven by the motto: "Our Palestinian Culture Tells the Story of Our People." The Company sponsored 10 different cultural festivals and events in 2012 across all governorates in the West Bank, to pay tribute to our cultural heritage. Additionally Wataniya Mobile sponsored several community activities, sports events as well as educational and artistic activities throughout the year.

### Esteemed Investors and Subscribers,

Despite all of our achievements, Wataniya Mobile remains focused on the difficult road ahead where political impediments and fierce competition is a reality of our operating environment. We remain committed to grow our subscribers' base, increase our market share and improve our financial position. Although we are prevented, till now, from launching our services in the Gaza Strip and providing 3G services in Palestine, being the sole 3G licensed operator, we remain committed to those two objectives in everything we do. As we continue to exert all efforts to secure the launch of our services in the Gaza Strip, an investment of nearly U.S. \$15 million in the Gaza network equipment was made during 2012.

In conclusion, I extend my gratitude to you, our shareholders and subscribers, for your continued support, commitment and confidence in your Company.

Respectfully,  
*Fayez Husseini*  
Chief Executive Officer

\* Market share comprises the West Bank, 2011 figure is based on companies' disclosures, while 2012 figure is an estimate.



**Mr. Fayez Hussein**  
Chief Executive Officer

**Mr. Fadi Abdellatif**  
Chief Financial Officer

**Mr. Motasem Attali**  
Marketing and Business  
Development Director

**Mr. Omar Al-Sahili**  
Sales Director

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**Mrs. Nuha Al-Masri**  
Human Resources Director

**Mr. Zakaria Abu-Kafia**  
Customer Services Director

**Mr. Amjad Al-Osaily**  
Network Director

**Mr. Haitham Abu Shaaban**  
Gaza Operations Director

**Mr. Rida Barakat**  
Corporate Strategy Director

Members of the  
**Executive Management**









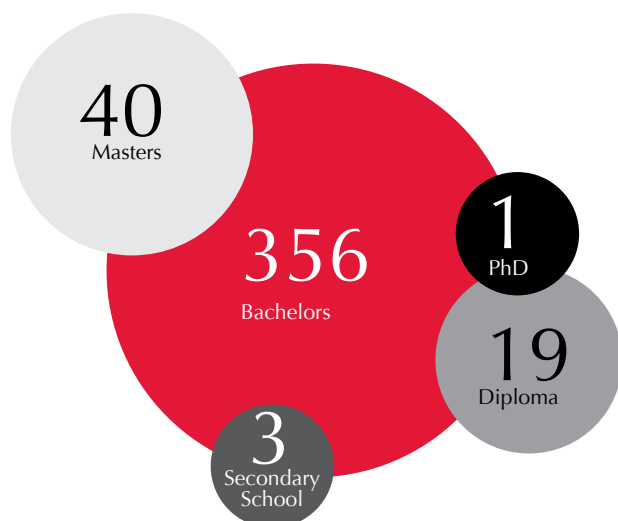
# Our Staff

## Creativity and Innovation

## Wataniya Mobile Family

Wataniya Mobile has a qualified staff cadre that has succeeded in proving its abilities to make the Company as successful as it is today. As of 31 December 2012, 419 employees work at Wataniya Mobile across its different units. The Company's headquarters are located in Al Bireh – Sateh Marhaba, where 370 employees work at the headquarters.

Employees cover the following competencies based on the academic qualifications listed below:



## Human Resources' Policies

The human resources' policies are the official source of policies for Wataniya Mobile management and staff relating to their employment relationship with Wataniya Mobile. The effectiveness of the human resources' policies is reflected in the fact that staff turnover fell to 0.66% in 2012, compared to 1.55% in 2011.

These policies include, but not limited to, the following policies:

### Recruitment Policy

As for the Company's recruiting policy, Wataniya Mobile provides equal employment opportunities, whereby all current employees and applicants from outside the

Company are given equal opportunity when applying for jobs, training or promotion, regardless of their social status, origin, religion, gender, age, nationality or special needs. Applicants may access the Company through its website:

[www.wataniya.ps](http://www.wataniya.ps)

## Compensations and Benefits Policy

Wataniya Mobile offers its employees a range of benefits in excess of those stipulated by Palestinian Labor Law. Wataniya Mobile incorporates a performance based incentive system, where the incentives are linked to performance and in line with the "management by objectives" system.

In addition to competitive salaries, Wataniya Mobile provides a number of special benefits, including:

- Annual salary increase
- Annual bonus
- Excellent health insurance for the employee and his/her family.
- Life insurance
- A savings fund with features that exceed most similar funds provided by companies in the Palestinian market.
- A telecommunications rate plan with special features for the employee and a member of his/her family.

## Internal Communications Policy

The internal communications department at Wataniya Mobile also pays direct attention to employee issues at the Company. Its work is based on the principle of facilitating communications and strengthening interaction between all employees at Wataniya Mobile using differing methods, and cementing the principle of understanding as a means of building a healthy environment between employees.

Communication with employees is realized through a variety of means, including: emails, an internal employee newsletter, a communications forum which allows for the expression of opinions and the discussion of topics directly between employees, in addition to an intranet, which is updated daily with the latest news and most important information during the year. Additionally, an atmosphere of entertainment is promoted through an event that is held to gather all employees of the Company in celebration.



## Health, Safety and Security Policy

As maintaining health and public safety within Wataniya Mobile is a management priority, the Company has formed a Public Safety Committee at its headquarters and branches, comprising three main teams: first aid team, firefighting team and evacuation team, where each of these teams includes members who are qualified and trained through training programs undertaken by the Company. The Committee continuously raises awareness among employees through campaigns and internal correspondence. Regarding security, the Company is equipped with a monitoring, security and protection system to ensure the wellbeing of employees and their safety, as well as the safety of all visitors.

## Training, Talent and Innovation Development Policy

With respect to staff training and improving their qualifications, Wataniya Mobile undertook up to five thousand training hours for 199 employees during 2012. Due to Wataniya Mobile's attention to encouraging staff creativity and innovation, which is a fundamental pillar of success, the Company has launched an innovation platform initiative, in which employees post their creative ideas (for example: a new product, a marketing campaign). Proposed ideas are assessed by a committee formed from a number of Company directors. In the event that an idea is approved for implementation, the employee who contributed this idea is rewarded, in addition to rewarding employees who are innovative in their work, in line with the extent of their achievements.

## Social Committee Policy

The Social Committee aims to consolidate relations between Company employees outside formal employment, resulting in an improved atmosphere at work. The Committee has organized and organizes multiple social, sports, cultural and recreational activities. In reality, the Social Committee has become a cornerstone of the work environment that reflects the uniqueness of Wataniya Mobile's family, values and pluralism, coloring the Company's culture and success stories. In 2012, the Committee held several activities, including: various types of sports tournaments such as football, basketball, bowling and table tennis. Weekly training sessions are held for the football and basketball teams who are staff of Wataniya Mobile. These teams compete against other teams outside the Company in domestic tournaments in Palestine. The Committee also organizes recreational trips and competitions, and works on talent and innovation development programs. Additionally, the Committee has adopted the Family Solidarity Program, through which financial contributions are collected on behalf of Palestinian families in the Palestinian refugee camps of Lebanon. It also arranges an austerity day to support families of political detainees, where a number of employees visited them in a number of provinces and provided them with symbolic gifts to symbolize our steadfastness in our land. This initiative was funded by the employees themselves. Wataniya Mobile participated in a number of "Injaz" institutions programs where a number of employees gave weekly lectures and supervised a group of students to organize a medical complimentary day held in marginalized areas in addition to overseeing a group of students that compete in the "pioneering" competition to come up with the best project/successful company.





Initiatives, Marathons, Open Days, Sports Teams, Cultural Weeks, Championships





Radio & TV Shows, Festivals, Exhibitions, Conferences, Tournaments



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What We Offer  
Our Subscribers  
and Community





# Progression Superiority And a Promising Future

## Our Products and Services

In 2012, Wataniya Mobile paid special attention to providing appropriate rate plans and service offerings to each category of subscribers, through the provision of basic cellular services and value-added services that complemented these rate plans.

### Rate Plans

#### Prepaid Rate Plans

Wataniya Mobile provides five prepaid rate plans to meet different needs and serve specific segments, as outlined below:



**“Mdobal”** Rate Plan: This rate plan was launched in 2012 for a limited time and quantity and provides the subscriber with life-time 100% matching credit upon charging. The advantage of this rate plan is that it provides calling to all Wataniya Mobile subscribers at half the on-net price, given the 100% bonus is consumed. It also provides lower tariff for calling off-net destinations compared to other regular Wataniya Mobile rate plans.



**“A'kefak”** Rate Plan: A prepaid rate plan with many distinctive features, where each feature matches the needs of a particular category of subscribers, allowing the subscriber to sign-up to those particular features that s/he needs.

- Friends and Family (Sawa) Service: A subscriber can select 10 numbers from Wataniya Mobile's network to call at a preferred tariff of only 9 agoras per minute or per SMS (VAT including).
- International Favorite Numbers Service: A subscriber may select up to three international numbers to call at a preferred tariff, and a discount reaching 60%.
- SMS Bundle Service: Subscribers will enjoy a preferred tariff for SMS.
- MMS Bundle Service: Subscribers will enjoy a preferred tariff for MMS.
- Internet GPRS Bundle Service: Subscribers who are interested in internet services can subscribe to this service and enjoy data packages at lower prices.
- During 2012, new other features have been added to “A'kefak” welcome pack, it included a range of free text messages and free credit upon the first charge, in addition to offering the Sawa service free of charge for the first month.



**“Fursan Al-Watan”** Rate Plan: This rate plan was presented to the different security divisions’ staff to fulfill their needs, as follows:

- Closed User Group Service: All staff of a security division may subscribe and enjoy low tariffs and services that match their needs.
- Friends and Relatives Service: A subscriber may choose 3 numbers from Wataniya Mobile’s network to call at a preferred tariff of 9 agoras without a monthly subscription fee.
- International Favorite Numbers: A subscriber may select up to 3 international numbers to call at a preferred tariff, and a discount reaching 60%.



**“Tullab”** Rate Plan: This rate plan was designed to suit university and high school students between the ages of 16 and 24, and provides the following services:

- A subscriber may choose 10 numbers from Wataniya Mobile’s network to call or send SMS at a preferred tariff of 10 agoras per minute or per SMS.
- Offer discounts of up to 50% on the cost of value added services without a monthly subscription fee.
- International Favorite Numbers: A subscriber may select up to 3 international numbers to call at a preferred tariff, and a discount reaching 60%.

مجموعتي

**“Majmoaty”** Rate Plan: This rate plan was designed to provide optimum telecommunications solutions and discounted rates to employees in sectors such as education, health and public sectors. It provides the following:

- Closed User Group Service for the institution, whereby a subscriber can enjoy the closed telecommunication service within the organization at a low tariff of 15 agoras per minute.
- Closed User Group Service within the sector, whereby a subscriber can enjoy the closed telecommunication service within the sector at a low tariff of 25 agoras per minute.
- Favorite Numbers Service: A subscriber to this rate plan may choose three numbers to call and send text messages at the reduced tariff of 15 agoras per minute or SMS.

## Postpaid Rate Plans

In early 2012, Wataniya Mobile introduced a variety of new rate plans that match the needs of the public sector and private companies with more than 6 employees. As such, Wataniya Mobile provides its subscribers with diverse services and significant savings, allowing them to optimize their business operations, as outlined below:

### Postpaid Rate Plans for Companies and Organizations



**"A'maal" Rate Plan:** This rate plan combines the monthly privileges of the postpaid and prepaid, it provides the advantage of determining a monthly budget for each postpaid account, where this budget includes a fixed monthly subscription that can be used to acquire all services of as long as the balance permits, and when the value of the monthly balance is exhausted, the account becomes a prepaid system so that the subscriber can recharge and use it independently from the postpaid system.



**Gold Plus Rate Plans:** A variety of rate plans that include monthly minutes service that suits the differing needs of subscribers. These rate plans are an improvement on previous ones, and entail more benefits.



**Closed User Group Rate Plan:** This rate plan facilitates communications between members of one group, at a preferential rate. The rate plan meets the specific needs of institutions or companies with the feature of restricting calls within the same group.



**Smart Rate Plan:** In return for a monthly subscription fee based on the number of participants, this rate plan enables communication within a group, to Palestinian cellular networks, to landlines and Israeli networks at a distinctive per minute rate.



**"A'mali" Rate Plan:** This rate plan targets small businesses and projects that employ 2-5 people, through offering 6 postpaid rate plans, commensurate with the needs of subscribers and containing comprehensive minutes. These provide freedom of communication with all Palestinian cellular and fixed line networks, at a fixed tariff and monthly fees based on selected packages. These rate plans also enable the provision of the closed user group service between employees within a single group.

These rate plans are marketed through Wataniya Mobile showrooms and a complete, fully-dedicated sales team that is equipped to reach any location in the West Bank.

### Postpaid Rate Plans for Individuals

As for the individual subscriber sector, the “Mazaya” Postpaid rate plan that was launched at the end of 2011, as well as the “Talk More Pay Less” rate plan continue to attract market appeal, given their advantages and discounts on calls and handsets in addition to a number of value-added services, such as the local super numbers service and the international super numbers service.



### Postpaid and Prepaid Loyalty Program



“Jamme’ha” Points Program: This is a new rewarding program designed especially for Wataniya Mobile subscribers, appreciating their choice of Wataniya Mobile’s network by granting them points upon using various transactions (such as scratch card refill, E-recharge, bill payment and receiving calls).



## Services

In 2012, Wataniya Mobile provided a variety of appropriate service offerings to each subscriber category, through the provision of cellular services, messaging services and value-added services, in addition to business solutions services tailored to the needs of the corporate sector and institutions. These include:

### Collect Call Service

This service keeps subscribers connected at all times even if the subscriber's balance has been exhausted. The service allows for a collect call to be made to any other Wataniya Mobile number, which is charged to the number that was called, by dialing \*\* and then the number. The service is provided to all Wataniya Mobile subscribers.



### Facebook short-messaging service (SMS)

This service enables Wataniya Mobile subscribers to communicate with their friends through their Facebook page using SMS, without the need to browse the website of Facebook. As such, the subscriber is kept informed on his/her updates during his/her movement in all locations covered by Wataniya Mobile. This service is available to all Wataniya Mobile subscribers.

### Value Added Services

Wataniya Mobile offers a variety of value-added services, including information and entertainment services, enabling subscribers to receive required content and information according to the type of service. To facilitate subscribing to these services, Wataniya Mobile provides several methods of subscription, by calling the customer services department, requesting services via SMS, and other methods. In addition to providing a wide variety of services that meet the needs of various segments of the community, which include:

#### Information and Entertainment Services

- News services: The subscriber receives the latest local and regional news and developments, and in some services, global news.
- Business and Financial services: Where the subscriber receives daily exchange rates for major currencies against the shekel, while another service provides major news headlines, keeping the subscriber informed on latest developments.
- Entertainment services: These include a variety of entertainment services, specialized services for men and women, and other services covering health, beauty and other themes.
- Sport services: The subscriber can, being a fan of sports and famous international teams, receive the latest news on teams, games and competitions for different types of sports.
- Islamic services: We offer our subscribers a distinctive set of Islamic services, allowing them to bless their day with Islamic prayers and hymns.





- Specialized services: This includes services that are important to subscribers' daily life and keep them informed on the status of roads, weather, jobs, cars for sale, and a lot of other information.

### Competitions

In 2012, Wataniya Mobile stood out for the quality and variety of its competitions and the value of prizes provided to participants on all occasions. This is a form of engagement and communication with our subscribers on social and religious occasions, as these competitions were held on Mother's Day, High School Graduation day, European Football Championship and Ramadan. The variety of prizes included gold jewelry on Mother's Day, cellular devices, trips and cash prizes. Wataniya Mobile provided different types of contests through SMS, Interactive Voice Response (IVR) and USSD instant messaging. All contests encouraged the spirit of competition between participants and added benefit and valuable information to them, through addressing cultural, scientific and religious questions.

### "Danden" Service

With "Danden" service, a subscriber can choose the latest track hits that she/he wants to use from a list provided by Wataniya Mobile. This list contains the latest tracks in many categories, and is updated continuously.

### My New Number Service

A Wataniya Mobile subscriber can now transfer all incoming calls to an old mobile number to a new Wataniya Mobile number without any concerns. The caller is informed of the subscriber's change in number, and through SMS messages, the Wataniya Mobile subscriber is in turn informed of all incoming calls to the old number. This service is available to all Wataniya Mobile subscribers.

### "Hawilli" Service

The "Hawilli" service enables Wataniya Mobile subscribers to request a credit transfer from acquaintances or friends. This service aims to meet the needs of customers and reflects our ongoing commitment to improve our services.







**مدى الحياة**

**احكي مع 10 من أحيائك بـ 9 أغورة للدقيقة ليلاً نهاراً**

**سوا**

احكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

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**احكي ع حسابهم**

**مع خدمة المكالمة على حساب المستقبل**

لتستطيع التحدث مع أحيائك على حسابهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

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**تسكورا وتجارة بن تبور...**

**والستقبل المكالمات بـ 19 أغورة فقط**

**طوال رحلة الحج**

تواصل مع أحيائك أثناء تأدية مناسك الحج، مروراً بالأردن وانتهاءً بالسعودية بـ **19 أغورة فقط** للمكالمات الواردة و **49 أغورة فقط** للمكالمات الصادرة على شبكة الوطنية موبایل.

الاحكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

**مع كل شحنة جائزة!**

**اشحن رصيدك ثم اتصل على #555 مجاناً واربح فوراً**

اشحن رصيدك ثم اتصل على **#555** واربح الجائزة الأولى، لربح الجائزة الثانية والثالثة، ما عليك إلا معاودة شحن رصيدك والاتصال مرة أخرى على **#555** 10 شكيل.

الاحكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

**جددناها وبالذهب لمعناها!**

**اشحن رصيدك ثم اتصل على #555 مجاناً واربح فوراً**

اشحن رصيدك ثم اتصل على **#555** واربح الجائزة الأولى، لربح الجائزة الثانية والثالثة، ما عليك إلا معاودة شحن رصيدك والاتصال مرة أخرى على **#555** 10 شكيل.

الاحكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

**نهنئكم... ونشارككم المستقبل**

**آلاف الساعات الجامعية المعتمدة المجانية**

انضم لبرنامج **بيت فلسطين** من الوطنية موبایل أو افتح حساب توفير لدى بنك فلسطين لتدخل السحب على آلاف الساعات الجامعية المجانية.

الاحكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

**شعب واحد...**

**غزة**

ازرع الأمل، وتبرع لأهلنا في غزة بقيمة 5 شكيل لتبرع اتصل مجاناً على الرقم **#444**

الاحكي مع أحيائك ما يتشبع عنه مع خدمة **سوا** بتقدر **تحدد 10 أرقام** لصوتك وصوتك للتواصل معهم، فو كل الأوقات فقط **9 أغورة للدقيقة** أو الرسالة ليلاً نهاراً ومن دون أي تكليف إضافي على أسعار مكالمات الأخرى.

**Campaigns**

**2012**

## Business Solution Services

### TRAX

This system is provided by Wataniya Mobile to manage and track vehicles, through which a variety of reports and services are made available, including: determining the status of the vehicle and its current location using satellite (GPS). This system contains detailed and adjustable maps, a sophisticated theft prevention system, and the ability to view the current driver and communicate with him/her. In addition, it can be used to manage drivers' shift rotations, the vehicles' trip timetables, and their maintenance schedules. The system supports Arabic or English languages.

### Commercial SMS Packages

Commercial SMS packages is a unique service enabling customers to stay in touch with their employees and clients through SMS, in both Arabic and English. It is provided in the form of monthly packages of different sizes, with special packages for the banking sector as well as other sectors. The distinctive features of the service are the speed and reliability with which SMS messages reach the desired destination. The cost of these messages is low compared to other means of communication.



## International Roaming Service

The international roaming service allows the subscriber to stay in touch with family and friends both inside Palestine or outside it, and as such does not limit Wataniya Mobile services to the Palestinian territories only. The Company has expanded its network of partners through national and international roaming agreements to cover more than 93% of the areas most frequently visited by Palestinians, where Wataniya Mobile provides mobile roaming services in 126 countries, with 193 roaming partners around the world. Wataniya Mobile was able to reach agreements and develop strategic relationships with several local and foreign companies for mobile and fixed connectivity. In addition to entering Jordan upon its launch, Wataniya Mobile has succeeded in entering markets in the Gulf and Europe, enabling it to provide the best possible services and improve quality. Furthermore, the Company seeks, continuously, to contract and form new agreements with other companies active in the field of telecommunications, and to become an internet data service provider, hoping to make new offers, services and benefits to its subscribers.



## Main Distribution Methods and Sales Channels

As part of the Company's policy and strategy in extending its services to all people in the Palestinian market, Wataniya Mobile has sought to create an extensive network of distributors, dealers, points of sale, and FMCGs to guarantee the provision of services anytime and everywhere. Hence, the Company has provided the following sales channels:

- **Wataniya Mobile Showrooms:** Wataniya Mobile has established six showrooms distributed across the main cities in the West Bank, in order to provide its customers with all Wataniya Mobile's services.
- **Distributors:** Agreements were reached with four major distribution companies in the Palestinian market, through which Wataniya Mobile rate plans and services are distributed to all dealers, points of sale, and FMCGs.
- **Exclusive Agents Network:** Wataniya Mobile has contracted 70 exclusive agents to distribute prepaid rate plans, in addition to providing a number of other services and facilities, including e-recharging services.



- **Corporate sales:** Wataniya Mobile has a dedicated corporate sales and relations team, geographically based throughout the West Bank to serve postpaid corporate accounts.
- **Points of Sale Network:** The number of points of sale in 2012 reached about 900 locations and 5,000 shop and grocery stores through which subscriptions and charging cards are provided to subscribers in addition to e-recharging services.

Our products and services meet the needs of individuals and institutions in the Palestinian market



## Research and Development

Wataniya Mobile always seeks to maintain the in-depth knowledge of the needs of its customers, which it obtained over the previous period, and build upon and develop it. This highlights the importance of specialized market studies, reviews and surveys of subscriber opinions on different company services, and the analysis of market needs. Accordingly, Wataniya Mobile has created a detailed policy that includes mechanisms for developing its programs and services ensuring that international quality standards are being met. Wataniya Mobile has focused on the latest regional developments in the telecommunications sector, by building strategic relationships with numerous parties, particularly:

- Qtel Group, given their extensive capabilities in the telecommunications sector;
- Major companies providing value-added services;
- Companies offering business solutions that provide an integrated service to various sectors;
- Local companies who pioneer in innovation in the West Bank and Gaza.

During 2012, Wataniya Mobile undertook a number of specialized marketing research studies to enable it to stay informed of the needs of the market and the expectations of subscribers. The cost of research and development, including marketing studies and surveys of subscriber and market opinions, during 2012 amounted to U.S. \$113,155. It is also expected that Wataniya Mobile will undertake several researches and studies during the next year, and thus remain abreast on market developments and attain high levels of subscriber satisfaction.



Wataniya Mobile  
always seeks to  
maintain the in-depth  
knowledge of its  
customers' needs

### A Trip to Sharm el-Sheikh

"I thank Wataniya Mobile because I won a trip to Sharm el-Sheikh, I'm going with my wife and we're going to have a great time, God willing."

Moussa Abu Hamoud

### An Apartment in Al-Reehan Neighborhood

"I won an apartment in Al-Reehan neighborhood through Wataniya Mobile, I am very grateful to them as they made my dream come true as I now own my dream apartment."

Mohammad Al Hanash

### I-Phone 5 Handset

"I won an I-Phone 5 through the 'Prize for each charge' campaign, I am very happy that I won this phone which is considered to be the most advanced in the telecommunications world."

Husam Rashed

### 5,000 shekels

"I won 5,000 shekels in cash through the 'Half a Million Subscribers' campaign, in light of the difficult economic conditions it was a sweet surprise, thank you Wataniya Mobile."

Ahmad Sharbat

### 10,000 Shekels

"I won 10,000 shekels through the Mother's Day campaign, frankly I did not expect to win, I wish Wataniya Mobile continued progress and prosperity."

Amer Moussa

### 16 Credit Hours

"I won 16 credit hours through the 'We congratulate you and share your future' campaign, I am very happy with these hours because they help me to complete a full semester without paying anything."

Dina Haribat

### Monthly Salary

"I won a full month's salary in the 'Fursan Al-Watan Appreciative Gifts' campaign, I thank Wataniya Mobile and hope that it continues its generosity."

Mohammed Ewesa

### Gold Set

"I won a gold set through Wataniya Mobile's Mother's Day campaign, thank you Wataniya Mobile and onward."

Shaker Zeidan

## Subscribers' Affidavits

# Milestones in Wataniya Mobile's Progress

## Competitive Advantages and Market Challenges

Despite the fact that the Palestinian telecommunications market was a monopoly for more than ten years, and as part of its plans to become the subscriber's preferred choice, Wataniya Mobile has realized significant progress over the past few years. The Company succeeded in increasing its West Bank market share to 28%\* at the end of 2012, and in attaining 50%\* of the net increase in the size of the Palestinian telecommunications market at the end of 2012. The drivers behind these increases were effective marketing and sales strategies implemented by the Company to attract and retain subscribers, in addition to conforming to high international quality standards, and enjoying the benefits of partnership with Qtel Group and Palestine Investment Fund.

Hence, Wataniya Mobile proved its competitiveness in the Palestinian market, where its network succeeded in reaching 97% of the Palestinian people in the West Bank and providing its services to more than 610 thousand subscribers at the end of 2012. Wataniya Mobile's achievements are among the most important indicators of the developing competitive position of the Company:

Variable	2009	2010	2011	2012	CAGR**
Market Penetration Rate*	49%	67%	74%	82%	19%
Wataniya Mobile's Market Share*	9%	21%	24%	28%	45%
Wataniya Mobile's Subscribers	110,835	353,582	464,964	610,233	77%

Despite challenges on all fronts, Wataniya Mobile's success in attaining a significant market share is evidence of its particular competitive strengths, the most important of which is its ability to provide programs and services that meet the needs of the market, including the different segments, in addition to:

- Wataniya Mobile offers a variety of up to date basic and value added services, many of which were introduced for the first time in the Palestinian telecommunications market, such as SMS via Facebook and other services, at favorable prices.
- Wataniya Mobile enjoys an extensive distribution network capable of meeting the needs of subscribers in terms of time and place.
- Wataniya Mobile enjoys a high-quality network with modern and advanced technologies, this is evident in the uninterrupted availability of services, particularly during peak times, public events such as holidays, and the secondary school exams; results announcement.
- Wataniya Mobile has a qualified staff cadre, with long, specialized experience.
- Wataniya Mobile's customer service center is staffed with qualified personnel, who receive excellent training and work around the clock.
- Wataniya Mobile is also distinctive given its partnership with Qtel Group and Palestine Investment Fund, and thus the ability to combine international quality with local identity.

\* Values represent the West Bank. Figures until 2011 are based on companies' disclosures, whereas 2012 figures are estimates.

\*\* CAGR is Compound Annual Growth Rate.

- In terms of media, Wataniya Mobile has enjoyed a special media presence in local newspapers, with the publication of 43 press releases during 2012, in addition to numerous promotional campaigns amounting to 37 commercial campaigns.
- Wataniya Mobile is unique in the diversity of its customer base, represented in different segments of the Palestinian market and comprising both individuals and institutions.

### Main Presents and Future Plans

Wataniya Mobile works diligently to provide the latest rate plans and services with a Palestinian character. Being a subsidiary of the Qtel Group and Palestine Investment Fund, enables the Company to instill the Palestinian character with world class performance by learning from experiences and most effective mechanisms.

Given our commitment to providing services country-wide, Wataniya Mobile has stepped up its efforts to launch its services in the Gaza Strip. In practical terms, for more than one year, our commitment to this goal has entailed buying the necessary equipment to set up transmission towers, a telecommunications


network and training administrative staff. Our specialized team is currently working with local, regional and international partners to enable our launch. However, Wataniya Mobile is still waiting for Israeli side's approval for bringing the equipment into the Strip. Despite this, the Company has conclusively decided to launch its services in the Gaza Strip, as one of its rights guaranteed by the license that the Company has obtained.

Wataniya Mobile continues to play a leading role in providing the latest global services. As the sole holder of a license from the Palestinian National Authority to introduce third-generation telecommunications services, Wataniya Mobile seeks to provide "3G" services in order to elevate the Palestinian telecommunications market to a new level. This will lead to attracting new subscribers and increasing the satisfaction of existing ones. The Company is currently working with all relevant authorities in order to obtain the approval of the Israeli side in allocating the necessary frequencies.



Wataniya Mobile Staff in Gaza





Our Social  
Responsibility  
reflects Our Care



## Social Responsibility

### Wataniya Mobile Sponsors Culture

Based on our belief in our responsibility towards our people, and in the need to instill national identity in general and cultural identity in particular, Wataniya Mobile has continued its commitment to the Palestinian community through the sponsorship of many cultural activities under the slogan: "Our Palestinian culture tells the story of our people." Wataniya Mobile sponsored 10 cultural festivals in 2012 across all provinces of the country, with the aim of reviving Palestinian culture.

Wataniya Mobile also sponsored the seventh music festival in cooperation with Al-Kamandjati Association, which provided a day of entertainment for children of Nur Shams refugee camp in Tulkarm. Wataniya Mobile was also the main sponsor of "Jifna Days" Festival which included many cultural events in addition to an exhibition of Palestinian products. This festival was held in the village of Jifna from 14 -16 June 2012 and attended by tens of thousands.

Wataniya Mobile also sponsored the "Wayn a Ramallah" Festival in collaboration with the Municipality of Ramallah, which was held between 24 - 30 June 2012. The event was held in several locations in the old city of Ramallah, and hosted several distinguished Palestinian artists and groups. It was attended by thousands of visitors.

In cooperation with Al-Rozana Association, Wataniya Mobile sponsored "Palestine Heritage Week" which was held between 27-30 June 2012 in the old city of Birzeit. The festival included shows by local and international groups as well as an exhibition of household products. It was attended by thousands of visitors.

Wataniya Mobile was also the main sponsor of the first Tubas Festival in association with the Governorate of Tubas between 28-30 June 2012, which was attended by thousands of visitors.

Wataniya Mobile also sponsored the Al-Bireh Festival, which was held on 1-3 July 2012 in the city of Al-Bireh.

Wataniya Mobile was also the main sponsor, for the fourth year in a row, of the Palestine International Festival in cooperation with the Popular Arts Centre, which took place on 4-10 July 2012 in each of the cities of Ramallah, Qalqilya and Nablus. The festival hosted many renowned local and international singers and groups, and was attended by more than ten thousand visitors.

Wataniya Mobile also sponsored the "Wadi Al-Shaa'eer" Festival, which was held on 11-13 July 2012 in Anabta, Tulkarm. The festival helped local farmers to market their barely harvest.



Palestine International Festival



Half a Million Ceremoney



Football Distribution Campaign



"Wayn a Ramallah" Festival

Wataniya Mobile also sponsored the fourth Zababdeh Festival in association with the Municipality of Zababdeh, which was held on 11-13 July 2012 with the participation of local groups and the active participation of the people of the village and surrounding villages.

Wataniya Mobile also sponsored the Jerusalem Summer Nights Festival, which was held on 12-15 July 2012 in the village of Beit Anan, one of the villages of Jerusalem.

Wataniya Mobile did not only focus on the subject of culture but was also active in many community activities. The Company sponsored numerous educational, artistic, and sports activities attended by tens of thousands and benefiting many people. This falls under the framework of social responsibility and care, and includes: a ceremony honoring high school students in Jalazoun refugee camp and the sponsorship of a charity Iftar (Ramadan dinner), the proceeds of which went to children with disabilities. The Company also sponsored the Open Day for the Faculty of Commerce at Birzeit University. Four thousand footballs were distributed to needy schools across provinces in the West Bank. In addition, it sponsored the Tulkarm Conference for Development, an economic conference that aims at encouraging investment in the Tulkarm district to help alleviate the effects of the closure and the separation wall, which caused the highest unemployment rate in the West Bank. For the first time, Wataniya Mobile also sponsored the internationally renowned "LEGO" competition, which was held at Birzeit University during February 2012.

Among the sports activities sponsored by Wataniya Mobile in 2012 were: the first Ramallah/Al-Bireh Ramadan Championship, the participation of Al Amaari club in the Asian Championship leading to qualification for the AFC President's Championship, the Dar Al Kalima Marathon in Bethlehem, the Palestine International Championship, and the participation of Al Amaari youth team in the international championship in France. Wataniya Mobile also launched a campaign of credit hours for the second year in a row to subscribers in the Students rate plan, which falls under the framework of community partnership. In Celebration of Christmas, Wataniya Mobile also sponsored Christmas tree lighting ceremony in the city of Ramallah.

The Company has additionally sponsored Palestine seventh Educational Exhibition 2012 "PEDEX".



Palestine Heritage Week



Jilna Days Festival



Palestine International Festival



Football Distribution Campaign

We believe in the need to instill  
Palestinian national identity  
in general and cultural  
identity in particular

## Community Partnership Program

Wataniya Mobile is working to launch a community partnership program which will serve as the umbrella for all community activities that Wataniya Mobile intends to implement in the coming years. Through this program, the word and principle of partnership will be highlighted, where partnership implies participation in the process of development and in the growth and advancement of society. These projects will have a long term impact as they will help to build strong community pillars for a sound and independent community. The uniqueness of this program is that it builds partnership initiatives with other companies in the private sector.

Despite imposed Israeli restrictions which have prevented Wataniya Mobile from accessing Gaza up until now, Gaza remains at the heart of our community interest. We are launching a new project, which targets marginalized groups. It is expected that this program will create jobs for this group at partner institutions and will implement special projects for this category.

Within this framework, Wataniya Mobile launched another program, which aims to study the educational needs of targeted schools and allocate up to 2,000 extra-curricular, educational games that use non-traditional educational methods.

## Social Responsibility Policy

Within its strategy towards social responsibility, Wataniya Mobile will sponsor sports, cultural and educational activities, where attention is paid to all societal segments. After a specialized committee carefully studies sponsorship requests, activities are adopted based on the purpose of the sponsorship and the benefiting group.





### **Sponsorships and Donations**

Given our belief in the unity of purpose between Wataniya Mobile and all of its employees, and to support needy Palestinians and promote the concept of supporting prisoners and showing solidarity with their conditions, the Social Committee organized a day of austerity at the Company, where a plate of food was sold to each employee and proceeds were collected on behalf of detainees. The Social Committee proceeded to purchase quantities of olive oil, which were distributed to the needy families of prisoners in different regions. The Social Committee also organized an activity on behalf of the families of Palestinian refugees in Lebanese camps in addition to providing annual financial sponsorship for ten families for the period of one year. The value of spending on social responsibility in terms of grants and sponsorships amounted to U.S. \$750,000 in 2012.

### **Environmental Protection**

Most of the technical operations of Wataniya Mobile's network are performed by international companies such as Ericsson, as well as other local companies, which are committed to preserve the environment and adopt the highest specifications and standards in this area. During the construction of the network, Wataniya Mobile coordinates with local municipalities in order to acquire the "Approval of Construction and Operation for Broadcasting Stations" licenses, issued by the Ministry of Telecommunications and Information Technology. This ensures compliance with environmental standards and identify suitable areas for construction. Wataniya Mobile additionally acquires the approval of the Environmental Quality Authority for erecting its towers.

In order to preserve the local flora, the construction of the towers takes into account planted areas, and aims not to disturb these or impact them detrimentally. On the other hand, the Company will contribute to environmental conservation campaigns through civil society organizations, as part of the Company's role in serving the community.







0.356987  
36.19  
0.19  
0.18  
38.45  
20.98  
44.30  
39.66  
3.30

Transparency  
is our  
Top Priority







Governance  
Transparency  
and Honesty

43

# Governance

## Institutional Governance: Responsibilities and Mechanisms

In 2010, Wataniya Mobile developed its governance manual in compliance with the terms of the Code of Corporate Governance in Palestine, as issued by the Palestinian Capital Market Authority. The most significant of these standards are policies for disclosure and transparency; conflicts of interest; confidentiality of internal information; trading suspension; the rights of shareholders and related parties including legislators, customers, employees and overall community; the responsibilities of the Board of Directors and executive management; and the authority matrix across all levels within the Company. The manual also includes committees' charters emanating from the Board of Directors, comprising the Audit Committee and the Executive Committee, as well as the expected code of conduct for members of the Board of Directors and employees of the Company.

Wataniya Mobile is committed to disclosure in accordance with the laws, regulations and instructions in force since its listing at Palestine Exchange on 9 January 2011. The Palestinian Capital Market Authority and Palestine Exchange have never asked for clarification or disclosure from the Company for vague or incomplete information, or penalized the Company as a result of this.

According to the shareholding agreement between Wataniya International - Free Zone and Palestine Investment Fund, Wataniya International - Free Zone was granted the right to manage the Company. In order to implement this, the shareholding agreement between Wataniya International - Free Zone and Palestine Investment Fund stipulated that the former will obtain a majority in the Board of Directors, whereby the Board, composed of seven members will have four members as representatives of Wataniya International - Free Zone and three members representing Palestine Investment Fund.

The Shareholding Agreement also identifies the mechanisms for appointing the Chief Executive Officer,

Chief Financial Officer, the Board's Secretary and any Chief position. Approvals of Wataniya International - Free Zone and Palestine Investment Fund must be obtained for these positions. The remaining executive management members, however, may be appointed by a simple majority by the Company's Board of Directors.

The executive management's authorities shall be specified by the Board of Directors in such a way that these authorities are related to running the Company's business affairs and administrative and internal affairs, each according to their managerial specialization.

## Board of Directors' Responsibilities

The duties of the Board of Directors are numerous, and are governed by the Companies Law and the Company's internal bylaws. The duties of the Board of Directors, which mainly consist of protecting shareholders' rights and organizing companies' governance, are fulfilled through approving and ratifying the internal policies which regulate the work of the Company's executive management and its responsibilities, as well as control over the executive management through the Board of Directors' meetings, during which a detailed presentation is made to the Board, whether for the purpose of control or for taking the administrative decisions that are out of the executive management's area of specialization, in addition to disclosure and transparency.

## First: Setting Internal Policies

For the purpose of protecting shareholders' rights, the Board of Directors has adopted and approved a number of internal policies, such as:

**Policy of Authorities**, which specifies the persons authorized to sign on all Company decisions, dealings and commitments, and decision-making mechanisms therein.

**Company Management Policy**, which governs the relations between the Board of Directors and the executive management. It stipulates the formation of a number of internal committees which aim to monitor the executive management's work and guarantee that decisions are taken in a proper and well-studied manner.



**Human Resources Policy**, which deals with the executive management's duties towards employees and employee protection mechanisms, guaranteeing their rights and duties towards the Company and the job.

The Board of Directors is keen on adhering to disclosure and transparency principles through compelling the executive management to respect the principles of disclosure and sign all Company financial statements, making sure that shareholders are provided with all the necessary information to monitor the Company's business, whether upon the request of shareholders or through the Company's General Assembly.

### **Second: Identifying General Goals**

The Board of Directors identifies the Company's general goals, and the CEO discusses them with the executive management, who, in turn, identify their respective departments' goals in a manner that supports and is compatible with the general Company goals, noting that the responsibility of each member of the executive management is to distribute the responsibility for the fulfillment of goals to the respective department staff.

The CEO supervises members of the executive management to assure that fulfillment of Company goals is progressing in the right direction. Each of the executive management members oversees the fulfillment of his/her respective department staff of their own goals that support the overall Company's goals.

### **Third: Board of Directors' Meetings**

The Board of Directors held six meetings during 2012, during which it discussed and approved a number of important issues related to the Company's performance and present accomplishments, in addition to approving strategic plans and any issues that require the Board's approval, which were disclosed at the time.

### **Fourth: Committees Formed by the Board of Directors**

#### **The Executive Committee:**

**Formed on 20 March 2011, and its members are:**

Dr. Mohammad Mustafa, Chairman  
Dr. Nasser Marafih, Member

Mr. Khalid Al Mahmoud, Member

#### **Responsibilities and Authorities of the Executive Committee:**

- Approve expenditures within the authority limits set by the Board of Directors.
- Approve the definition of all services and products offered by the Company to its customers, according to the authority limits granted by the Board of Directors to the Committee.
- Consider and adopt recommendations concerning the award of tenders, authorizing procurements and approving the value of contracts within the limits of authority conferred under adopted regulations, and authorizations granted by the Board of Directors to the Committee.
- Approve the appointment and promotion of staff in executive management positions, as well as disciplinary procedures, in accordance with the policies and regulations of the Company and the authorizations granted by the Board of Directors to the Committee.
- Develop additional conditions of staff appointment or remove any of these conditions.
- Review draft regulations and new Company policies and make recommendations concerning these to the Board of Directors.

**Wataniya Mobile is  
committed to enforce  
disclosure laws and  
regulations since its  
incorporation**

- Review and study all regulations and Company policies, whenever appropriate, and raise any modified proposals to the Board of Directors.
- Approve the draft strategic plan and the annual budget, before submission to the Board of Directors.
- Review the quality and efficiency of services and products offered by the Company and suggest ways and methods for development and promotion.
- Oversee the process of job evaluation and the Company's compensation structure, or its amendment.
- Adopt performance indicators for the Company, which form the basis for:
  - Determining the optimal rate of performance for the Company;
  - Determining the basis of calculation for annual bonuses;
  - Evaluating the performance of the CEO.
- Submit recommendations to the Board of Directors with respect to the CEO compensation structure and specify management reporting to the CEO; and approve the compensation structure for other senior executives within the limits defined by adopted plans and policies.
- Adopt the Company's staff performance appraisal system and any related amendments.
- Review annual goals, performance appraisal, compensation and benefits with respect to the CEO and make recommendations thereon to the Board of Directors.
- Review and make recommendations to the Board of Directors concerning the adoption of a system of annual incentives (bonuses) to employees, and any amendments thereto.
- Review succession plans for the Company's top executive positions in consultation with the CEO, and submit recommendations to the Board of Directors with regards to the choice of candidate to succeed the CEO.
- Provide management with strategic guidance on priorities and risks as related to financial and strategic investment operations.

- Oversee the implementation of financial and strategic investment policies through periodic reports filed by management.
- Consider management requests for the approval of financial and strategic investments, and other related matters.
- Approve financial and strategic investments and related matters, to a maximum value of U.S. \$10,000,000 (ten million) per investment, or U.S. \$100,000,000 (one hundred million) in total investments per fiscal year.
- Decide upon the liquidation of any of the financial investments of the Company, or its affiliated subsidiaries.
- Approve investments and treasury affairs relating to any of the affiliated subsidiaries of the Company.
- Report regularly to the Board of Directors and make recommendations concerning the scope, direction, quality and volume of investments made by the Company.
- Decide upon which banks to deal with, and establish limits for transactions with these banks.
- The Executive Committee may delegate its functions to a sub-committee composed of one or more of its members, and the Chief Executive Officer of the Company.
- The Committee may also hire individual or corporate consultants to assist in achieving its objectives.
- Review the performance of the Committee and update the Board of Directors concerning its activities periodically.

#### **Operations and Activities Undertaken by the Executive Committee in 2012:**

- Review draft regulations and new Company policies and make recommendations on these to the Board of Directors.
- Approve the draft strategic plan and the annual budget before submission to the Board of Directors.
- Approve the scorecard target for the Company.

- Review the CEO's annual goals, performance appraisal, compensation and benefits.
- Authorize the appointment and promotion of staff to executive management positions.

### **Methods for Relieving the Executive Committee of its Responsibilities**

This committee is responsible to the Board of Directors in its work and performance, and it can only be relieved of its responsibilities by the Board of Directors.

### **The Audit Committee:**

#### **Formed on 20 March 2011 includes:**

Mr. Michael Hancock, Chairman  
Dr. Durgham Maraee, Member  
Mr. Amer Sunna, Member

### **Audit Committee's Responsibilities, Domain and Authorities:**

- Review annual audited financial statements and interim (quarterly) financial statements, related reports and accounting matters, including management processes, before submission to the Board for adoption.
- Set goals and internal auditing policies and determine their scope.
  - Review internal audit reports submitted to the Committee on a quarterly basis, with copies to be submitted to the Chairman and members of the Board of Directors.
  - Review the reports of the external auditor and management comments regarding these reports.
  - Adopt investigation procedures that are independent and fair concerning any cases of financial violations or other cases, involving any employee of the Company or any other person, according to specific rules and a mechanism to enable the confidential reporting of those violations.
  - Submit observations and recommendations on the contents of the internal and external auditors' reports, and the results of any investigations to the Board of Directors.
- Examine draft annual plans for internal audit before submission to the Board for approval.
- Select the external auditor, recommend his/her appointment, determine his/her fees and determine the objectives and scope of his/her work.
- Select the internal auditor of the Company, recommend his/her appointment, and assess his/her performance.
- Supervise the administrative, financial and technical operations of the Internal Audit Department, including the proposition and implementation of its annual budget (operating and capital) and organizational structure, as well as the training, development and promotion of its employees, in accordance with the Company's regulations.
- Review internal control systems and arrangements for risk management and corporate governance, and inform the Board of Directors on the adequacy and effectiveness of such systems and arrangements.
- Evaluate the performance of internal and external audit annually, according to pre-determined performance indicators.
- Conduct an annual review of the Committee's performance, submit a report on the results of the review to the Board of Directors, and ensure the inclusion of the review in the Company's annual report.
- Consider any other matters as specified by the Board of Directors.
- In order to complete its tasks, the Committee may make use of the services of an independent expert or consultant.

### **Operations and Activities undertaken by the Audit Committee in 2012:**

- Define internal audit goals and policies and determine its scope.
- Review internal control systems and arrangements for risk management and Company governance.

- Oversee the internal audit of the Company.
- Review of interim (quarterly and end of year) financial statements in 2012.

### **Methods for Relieving the Audit Committee of its Responsibilities**

This committee is responsible to the Board of Directors in its work and performance, and it can only be relieved of its responsibilities by the Board of Directors.

### **Fifth: Decision-Making Mechanism**

The decision-making mechanism in the Company is implemented based on the authority granted to the CEO and various department heads by the Company's Board of Directors. In addition to the above, the CEO has formed two main committees to monitor executive issues, as follows:

**The Executive Committee:** Headed by the CEO, this committee includes the directors of all Company departments. This committee performs strategic planning for the Company, prepares budgets and discusses administrative decisions and general Company issues. This committee is considered an effective tool to achieve continuous communication and coordination among Company departments in general.

**The Commercial Activities Team:** Headed by the CEO and includes the Directors of the Marketing, Sales and Customer Care Departments. The team concentrates on implementing the Company's commercial strategy and assuring that commercial activities are transferred promptly to the market. The team discusses various commercial activities and takes decisions regarding them. It also serves another purpose in that it achieves an optimum level of harmony between business managers and their teams in the departments involved in commercial affairs. Further, it ensures communication with all Company departments through referring issues, based on their importance, to the Executive Committee.

There are also some committees with specific authorities that were formed based on decisions by the Company's Board of Directors. These include:

**Human Resources Committee:** This committee is composed of the CEO, the CFO, and the Human Resources Director. The committee is concerned with all decisions related to

recruitment and to specifying salaries, compensations and promotions for employees at all job levels in the Company, with the exception of the salaries and benefits of the members of executive management.

**Contracts and Procurement Committee:** This committee is concerned with managing Company contracts and procurement. Representation in this committee is along different levels based on the financial value of the contracts and procured goods.

**Bank Accounts and Investment Committee:** This committee is concerned with managing Company bank accounts, investment of Company resources and obtaining financing if the need arises.

### **Sixth: Internal Audit Procedures**

The work of the internal audit department at the Company adheres to the instructions outlined in the code of corporate governance, as follows:

- The Board of Directors has approved the formation of the Internal Audit Committee which emanates from it, comprising three independent members with expertise in the Company's finances, administration and technical operations.
- The Committee has appointed the Head of its Internal Audit Department.
- The Board has approved the working process of the Audit Committee, which authorizes it to supervise financial and administrative control systems in the Company, in addition to supervising the activities of internal and external auditors.
- The committee has approved the working process of its Internal Audit Department, which defines the powers and responsibilities of the internal auditor, and emphasizes the independence of the internal audit department, such that this department adheres functionally to the Audit Committee, and administratively to the executive management.

The committee meets periodically to review internal audit reports and make recommendations as it deems appropriate. It also approves the annual internal audit plan, and the allocation of human and financial resources to implement this plan.



## Oversight and Management

### Brief Biographies of the Members of the Board of Directors

#### **Dr. Mohammad Mustafa, Chairman of the Board of Directors - Representative of Palestine Investment Fund**

Dr. Mohammad Mustafa joined the Board of Directors of Wataniya Mobile in January 2007, and he is the Chairman and CEO of Palestine Investment Fund (PIF). In this capacity, he is also the Chairman and a Board member of several leading Palestinian companies, including Amaar Real Estate Group, Arab Palestine Investment Company and Khazanah Asset Management Company. Under Dr. Mustafa's leadership since he joined in 2006, PIF has been able to redefine the boundaries of corporate and economic possibility, despite the stifling political conditions of the region. Dr. Mustafa led the organization in developing and executing an ambitious investment program that spanned multiple strategic economic sectors and positively impacted most geographic areas in Palestine. Prior to joining PIF, Dr. Mustafa led a successful, fifteen-year career at the World Bank in Washington, D.C. as an internationally recognized expert in the areas of public policy, project finance, and infrastructure development. Dr. Mustafa also worked as Senior Adviser to the Public Investment Fund in Saudi Arabia; Economic Reform Adviser to the Government of Kuwait; the founding CEO of the Palestine Telecommunication Company; and visiting Professor at The George Washington University in Washington, D.C. Dr. Mustafa graduated with Doctorate and Master's degrees in management and economics from The George Washington University and a B.Sc. degree in engineering from the University of Baghdad.

#### **Dr. Nasser Marafih, Vice Chairman of the Board of Directors - Representative of Wataniya International**

Dr. Marafih joined the Board of Directors of Wataniya Mobile in January 2007. He is the Chief Executive Officer of Qtel Group, and a member of the Board of

Directors of Wataniya International - Free Zone LLC. He is also a member in a number of boards of directors of other affiliated and sister companies in Qtel Group. In addition, Dr. Marafih serves on the board of the GSMA. Dr. Marafih holds a PhD in Telecommunications, a Master's in Sciences, and a Bachelor's in Electrical Engineering, all from the University of George Washington in the United States.

#### **Mr. Michael Hancock, Member - Representative of Wataniya International**

Mr. Michael Hancock joined the Board of Directors of Wataniya Mobile in January 2011. Mr. Hancock is the General Counsel of Qtel Group, after becoming the General Counsel of Qtel International Company in November 2007. Mr. Hancock has the Juris - Doctorate degree from the University of California, a Master's degree in Business Administration from INSEAD University in France. Before joining Qtel, Mr. Hancock occupied the position of General Legal Advisor in Telecommunications and Information Technology for Alcatel, and was a partner in the Salans Law Firm in Paris.

#### **Mr. Khalid Al Mahmoud, Member - Representative of Wataniya International**

Mr. Khalid Al Mahmoud joined the Board of Directors of Wataniya Mobile in June 2012. Mr. Al Mahmoud serves as Group Chief Officer of Qtel Group's Small & Medium companies, which oversees six Qtel companies - Wataniya Mobile Palestine, Bravo (Saudi Arabia), Wataniya Maldives, wi-tribe Jordan, wi-tribe Pakistan and wi-tribe Philippines, and he is also a board director of the last five of those companies. Mr. Al Mahmoud served as Chief Operating Officer of Nawras (a Qtel company in Oman) from February 2005 to March 2011, and also held that position from March 2011 to January 2012 in wi-tribe Group, a management company that supported Qtel's wi-tribe branded operations. From 1989 to February 2005, Mr. Al Mahmoud held a number of positions with Qtel Qatar, including Manager - Product Management, Manager - Data Services (ISP) Business Unit, IT Divisional Manager, and Head of Information Systems - Business Applications.

**Mr. Faisal Al-Shawwa, Member - Representative of Palestine Investment Fund**

Mr. Faisal Al-Shawwa joined the Board of Directors of Wataniya Mobile in January 2011. He was the General Manager of Al-Shawwa General Trading and Contracting Company, and is its Chairman of Board of Directors. In addition, Mr. Al-Shawwa is the Vice Chairman of the Board of Directors of the Middle East Pharmaceutical Company, the Vice Chairman of the Board of Directors of Al-Amal Asphalt Company, a member of the Board of Directors of the Bank of Palestine, a member of the Board of Directors of the Palestinian Electricity Company, and the Vice Chairman of the Board of Directors of the Palestinian Trade Center (Paltrade). He is a member of the American Engineering Association, the Contractors' Union, the Union of Engineers and the Palestinian Businessmen's Association. Mr. Al-Shawwa has a Master's degree in Business Administration from North Virginia State University and a Bachelor's degree in Civil Engineering from Memphis State University. Both universities are in the United States.

**Dr. Durgham Maraee, Member - Representative of Palestine Investment Fund**

Dr. Durgham Maraee Dr. Durgham Maraee joined the Board of Directors of Wataniya Mobile in January 2011. Dr. Maraee is the Chief Investment Officer at the Palestine Investment Fund (PIF). In this role, he oversees PIF's Investment portfolio and the development of new investment initiatives, which aim to spur economic growth in Palestine through the establishment of viable business enterprises, while achieving good returns to PIF. Prior to joining PIF, Dr. Maraee worked as a consultant at the Boston Consulting Group (BCG), where he focused on providing strategy and investment advice to leading American and multinational corporations in the financial, media, manufacturing and tourism industries, among others. Dr. Maraee holds a PhD and Master's degrees from Harvard University in International Law.

**Mr. Amer Sunna, Member - Representative of Wataniya International**

Mr. Amer Sunna joined the Board of Directors of Wataniya Mobile in January 2011, and the Qtel family as CEO of the wi-tribe Company in Jordan in August 2010. He brings 20 years of experience dedicated to the improvement of customer experience in telecommunications through a number of executive positions at various high profile organizations. Prior to joining wi-tribe, Mr. Sunna was the CEO of several mobile and fixed telecommunication services companies owned by VTel Holdings, and the Group Chief Operations Officer (COO) at Orange Jordan. He previously held various local and regional positions within Emirates Telecommunication Corporation (Etisalat) and played a vital role in shaping the telecommunications sector in Jordan. Mr. Sunna holds a B.Sc. in Electrical Engineering from Jordan University.

## Brief Biographies of Members of Executive Management

### **Mr. Fayez Hussein, Chief Executive Officer - Joined Wataniya Mobile in September 2012**

Mr. Hussein has over 20 years professional experience both locally and regionally. Previously Mr. Hussein has served senior positions in the Mobile telecommunications and MVNO businesses including Dubai based FRIENDi Group (now Virgin Mobile MEA). He also has significant experience in the field of investment and private equity in the region most recently serving as Principal at Abraaj Capital managing their Palestine Growth Capital Fund. Mr. Hussein holds a Bachelor's degree in Business Administration, specializing in Finance, from the American University, Washington D.C.

### **Mr. Fadi Abdellatif, Chief Financial Officer - Joined Wataniya Mobile in March 2007**

Mr. Fadi Abdellatif assumed his present position as Chief Financial Officer in September 2012. Mr. Abdellatif has over 14 years of varied experience in management, auditing, accounting, information systems and consulting in various sectors, including telecommunications. Mr. Abdellatif joined Wataniya Mobile at its early stage after working for companies like Andersen, ATS and Hulul. Mr. Abdellatif has a Master's degree in Business Administration from University of Haifa and is a Certified Public Accountant from the United States.

### **Mr. Motasem Attali, Marketing and Business Development Director - Joined Wataniya Mobile in April 2010**

Mr. Motasem Attali assumed his present position as Marketing and Business Development Director in April 2011. Mr. Attali has an extensive experience of over 16 years in the field of telecommunications. Mr. Attali worked for Wataniya Mobile as a consultant, and with Paltel, Trak-Link and DuraComm where he occupied Senior managerial positions. When joining Wataniya Mobile, Mr. Attali was initially responsible for planning and implementing interconnect roaming agreements as well as

wholesale business with other companies. Mr. Attali holds a Master's degree in Telecommunications and Electrical Engineering from the University of Jordan.

### **Mr. Omar Al-Sahili, Sales Director - Joined Wataniya Mobile in February 2010**

Mr. Omar Al-Sahili assumed his present position as Sales Director in November 2010. Mr. Al-Sahili has over 17 years of experience in the field of developing commercial work, and in the information technology and telecommunications field. Mr. Al-Sahili had worked for DAI, PECDAR (Palestinian Economic Council for Development and Construction) and the Institute of Law at Birzeit University in Palestine. At Wataniya Mobile, Mr. Al-Sahili successfully designed and led the reconstruction of the Sales department. Mr. Al-Sahili holds a Master's Degree in Engineering Sciences and a Bachelor's Degree in Electrical Engineering. Both degrees are from the University of Toledo, Ohio in the United States.

### **Mrs. Nuha Al-Masri, Human Resources Director - Joined Wataniya Mobile in May 2007**

Mrs. Nuha Al-Masri assumed her present position as Human Resources Director in January 2010. She has 12 years of experience in the field of Human Resources management, having worked at Birzeit University and its Continuing Education Center in Palestine, where she succeeded in upgrading the Personnel Office to a Human Resources Department. Mrs. Al-Masri spearheaded the efforts made to establish an integrated Human Resources Department in Wataniya Mobile. Mrs. Al-Masri has a Master's Degree from Maastricht University in Holland, and a Bachelor's Degree from Birzeit University. Both degrees are in Business Administration.

### **Mr. Zakaria Abu-Kafia, Customer Services Director - Joined Wataniya Mobile in September 2010**

Mr. Zakaria Abu Kafia assumed his position as Customer Care Director in January 2011. He has over 13 years of experience in customer services in the telecommunications, where he worked with VTel-Etisaluna, Hulul and the Paltel Group, as well as other companies.

Mr. Abu Kafia led the efforts exerted in Wataniya Mobile to develop the main performance indicators for customer services, in addition to creating new methods to develop and improve the experience of Wataniya Mobile customers. Mr. Abu Kafia holds a Bachelor's degree in Economic Sciences from Al-Najah University in Palestine.

**Mr. Amjad Al-Osaily, Network Director - Joined Wataniya Mobile in June 2007**

Mr. Amjad Al-Osaily assumed his present position as the Network Director in January 2010. He has over 13 years of experience in the field of network management and operation, having worked for Ericsson International as part of its services to "Mobily", in addition to working for other companies in the field of telecommunications. Mr. Al-Osaily led the efforts in establishing and operating Wataniya Mobile network despite the challenges that accompanied the Company launch. In addition, Mr. Al-Osaily presently works on projects to upgrade and expand Wataniya Mobile network and developing it in the West Bank and the Gaza Strip. Mr. Al-Osaily has a Bachelor's Degree in Electronics and Telecommunications Engineering from the Applied Sciences University in Jordan.

**Mr. Haitham Abu Shaaban, Gaza Operations Director - Joined Wataniya Mobile in June 2011**

Mr. Haitham Abu Shaaban assumed his present position as Gaza Operations Director in June 2011. Mr. Abu Shaaban enjoys over 16 years of experience in the field of project management, entrepreneurship, business development and strategic marketing management. Mr. Abu Shaaban has outstanding achievements with large local and international companies in the field of developmental projects, telecommunications, information technology and the private sector in Palestine in General and in the Gaza Strip in particular. Mr. Abu Shaaban has a Bachelor's Degree in International Business Administration from California State University in the United States.

**Mr. Rida Barakat, Corporate Strategy Director - Joined Wataniya Mobile in November 2012**

Mr. Barakat assumed his present position as Corporate Strategy Director in November 2012. Mr. Barakat has distinctive experience in strategic planning and developing and implementing effective growth strategies in different sectors through more than 10 years in telecommunications, consumer goods and consulting in various local and regional companies such as Etihad Atheeb Telecom, Jerusalem Cigarettes Company, Energy City Qatar, IQ Consulting and the Palestinian telecommunications sector. Mr. Barakat holds a Master's degree in business administration from the American University in Cairo, and a Bachelor's degree in electrical engineering from George Washington University (USA).







January 9, 2011

Listing of Wataniya Mobile  
at Palestine Exchange

October 27, 2010  
Capital **U.S. \$258**  
million

October 14, 2010  
Capital **U.S. \$219.3**  
million

September 1, 2008  
Capital **U.S. \$170**  
million

January 27, 2007  
Capital **U.S. \$5**  
million

## Wataniya Mobile's Shareholders

### Current Ownership

Wataniya Mobile was established as a partnership between Wataniya International - Free Zone (fully owned by the National Mobile Telecommunications Company (NMTC), that is mostly owned by Qtel Group), and Palestine Investment Fund. According to a primary underwriting 15% of Wataniya Mobile shares were presented for a public offering, after which the ownership of Wataniya International - Free Zone became equivalent to 48.45% and that of Palestine Investment Fund equivalent to 34.03%, while 17.52% is publicly owned. The following figure shows the Company's ownership structure as of December 31, 2012 when the number of Wataniya Mobile shareholders reached 11,800.



Qtel Group is considered one of the pioneering international companies in the telecommunications market. It is listed on the Qatar Exchange and offers a wide range of services in the field of mobile and fixed telecommunications in the Middle East and Southeast Asia. This gave Wataniya Mobile the opportunity to gain international experience from other Qtel Group companies, operating in 16 other markets, as well as

to benefit from Qtel Group's strategic relationships with suppliers, sellers and finance institutions in the management of its operations, guaranteeing Palestinian performance at international levels. The number of subscribers with Qtel Group was, as of 30 September, 2012, over 89 million in 16 countries where Qtel runs telecommunications operations.

As indicated above, Qtel Group holds its interests in Wataniya Mobile through a chain of subsidiary companies, including the National Mobile Telecommunications Company (NMTC), which is a pioneering telecommunications Company listed on the Kuwait Stock Exchange. The Qtel Group raised its stake in the National Mobile Telecommunications Company (NMTC) to 92.1% on 7 October, 2012, and (NMTC) owns 48.45% of Wataniya Mobile in Palestine through Wataniya International. The increase in investment by the Qtel Group, reflects indirectly on raising its stake in Wataniya Mobile in Palestine.

Palestine Investment Fund (PIF) is a national Palestinian institution that manages Palestinian funds and invests them in a manner that maintains them as a national and strategic reserve. PIF aims to play a leading role in establishing an independent Palestinian state by contributing to the development of the Palestinian economy to make it strong, sustainable and mainly reliant on its own resources, through launching strategic investment programs with local and international partners from both the public and private sectors. This contributes to creating tens of thousands of job opportunities for Palestinians, raising their living standards and increasing local income sources for the public treasury.

## Development of Ownership

On January 27, 2007, Wataniya Mobile was established as a private limited shareholding Company with a capital of U.S. \$5 million. The founding parties at the time were as follows:

Founding Parties			January 27, 2007
Name	Number of Shares	Ratio of Shares	
Wataniya International - FZ LLC	2,850,000	57%	
Palestine Investment Fund	2,150,000	43%	
Total	5,000,000	100%	

On September 1, 2008, Wataniya Mobile raised its capital from U.S. \$5 million to U.S. \$170 million, maintaining the same ownership ratios.

On October 14, 2010, Wataniya Mobile raised its capital from U.S. \$170 million to U.S. \$219.3 million, maintaining the same ownership ratios, and the founding parties became as follows:

Founding Parties			October 14, 2010
Name	Number of Shares*	Ratio of Shares	
Wataniya International - FZ LLC	125,001,000	57%	
Palestine Investment Fund	94,298,995	43%	
Grand Park Hotels and Resorts Company **	1	-	
Sama Real Estate Company **	1	-	
Palestinian Commercial Services Company (PCSC) **	1	-	
Al-Reehan Real Estate Investment **	1	-	
Amaar Real Estate Group **	1	-	
Total	219,300,000	100%	

\* This table shows shares directly before the initial public offering.

\*\* A subsidiary company of Palestine Investment Fund.

On October 27, 2010 Wataniya Mobile raised its capital from U.S. \$219.3 million to U.S. \$258.0 million, and was transformed from a private limited shareholding Company to a public limited shareholding company, ready for a public offering.

On January 9, 2011, Wataniya Mobile was listed as a public shareholding company on the Palestine Exchange after 15% of the Company's capital was offered for public underwriting on November 7, 2010. After the public offering, shareholder distribution became as follows:

Shareholder	Ownership Rate
Wataniya International - FZ LLC	48.45%
Palestine Investment Fund	36.55%
Free Trading (Public)	15%

Change in Ownership

It is noteworthy that according to the license agreement signed between the Company and the Palestinian Ministry of Telecommunications and Information Technology, Wataniya Mobile is required to raise the public share to 30% of the Company's capital. Furthermore, and according to the listing agreement with Palestine Exchange, the Company should raise the public share from 15% to 25% at the minimum. Based on this, the Company plans to offer the second 15% share when circumstances and the economic climate permit, to guarantee the success of this operation, as was the case when the first 15% share was offered. Upon offering the second 15% share, ownership ratios in the Company will become as follows:

Shareholder	Ownership Ratio
Wataniya International - FZ LLC	40%
Palestine Investment Fund	30%
Free Trading (Public)	30%



## Contact Information - Investor Relations

Shareholders can contact us through the following:

-  Tel: +970 (0)56 800 2000
-  Fax: +970 (0)56 800 2999
-  Email: [ir@wataniya.ps](mailto:ir@wataniya.ps)
-  Website: [www.wataniya.ps](http://www.wataniya.ps)

Copies of our annual reports and other information concerning investors are available on our website – Investor Relations section.



## Legal Disclosures

### Compliance with Legal Disclosures

As a public shareholding Company, listed on the Palestine Exchange, Wataniya Mobile is committed to legal requirements that guarantee continuous communication with investors, in accordance with disclosure principles, in addition to the values by which Wataniya Mobile works, including trust, transparency and clarity. Wataniya Mobile is keen on adhering to standards through which it can guarantee the legality of disclosure and compliance with its deadlines, through continued commitment to monitoring and regulating parties of Wataniya Mobile shares trading on one hand, and through enhancing communication and transparency with investors and shareholders on the other.

### Laws and decisions issued by the Palestinian government or any foreign government that had material effect on Wataniya Mobile operations

The Palestinian Ministry of Telecommunications and Information Technology issued in August 2009 a law for the establishment of an independent regulatory authority to regulate the Palestinian telecommunications sector. The law, however, has not been implemented yet for reasons related to forming the authority's board of directors. The law aims at granting the authority the power to regulate the telecommunications marketplace in Palestine, and guaranteeing the provision of high-quality telecommunications services to users at acceptable conditions and rates. It also aims at encouraging investment in this sector, and therefore encouraging competition, while guaranteeing high levels of fairness and transparency among competitors. The Ministry also issued in November 2011 "competition instructions" for the purpose of protecting competition from abuse by any licensee of a dominant position in the telecommunications market, identifying behaviors and practices considered as anti-competitive, in addition to indicating measures taken by the Ministry for merger and acquisition operations and strategic partnerships among companies, so that such activities do not result in any situation that could impose a threat to competition.

### Legal procedures and cases brought against Wataniya Mobile

There is one case involving the Company being a party in a juristic case number 441/2011 before the Court of First Instance in Ramallah, the subject of which is a financial claim for the amount of U.S. \$911,816 raised against the Company by a building owner, resulting from a dispute over a building rental in the city of Al-Bireh. The case is still pending before the court. There are no other cases of legal action.

### Shareholders' Voting during 2012

An ordinary meeting of the General Assembly was held on 15/3/2012, where voting was held on: approval of the Board of Directors' report for the past financial year 2011, the adoption of the financial statements of the Company for the year 2011, relieving of the members of the Board of Directors for the financial year 2011, and the election of the Company's auditor for the financial year 2012. The voting resulted in approving the first three matters and electing Ernst & Young as the Company's auditor for the financial year 2012.

## External Auditors

Wataniya Mobile works with Ernst & Young as External Auditors, who audited the financial statements for the year 2012. Their address is PADICO House Building, seventh Floor, Al-Masyoun, Ramallah.

## Internal Auditors

The Internal Audit Committee appointed Mr. Mahmoud Othman as the internal auditor for Wataniya Mobile.

## External Legal Counsel

Wataniya Mobile deals with Amr, Zahaykah and Partners in the West Bank, and with The Legal Consultative Office in the Gaza Strip, both as external legal counsel for the Company.

## Kinship and marriage relationships among members of the Board of Directors and members of the Executive Management

There are no blood or marriage relationships among members of the Board of Directors and the executive management team of Wataniya Mobile. Further, none of them has a business relationship with the Company.

## Major agreements concluded by the Company with related parties

- Wataniya Mobile didn't undertake any major transaction with related parties during the previous two fiscal years, whether directly or indirectly.
- No related party is indebted to Wataniya Mobile, nor have they received a benefit from any guarantee whose value exceeded Five Thousand (5000) Jordanian Dinars or the equivalent of a currency in circulation from the beginning of the 2012 fiscal year.

## Bankruptcy

None of the members of the Board of Directors or the executive management have declared bankruptcy, and none were the subject of any claim, judgment or conviction against him/her, or any decision to prevent him/her from performing management responsibilities or undertaking certain activities, during the past five years.

## Board of Directors' Bonuses

According to the Company policy, members of the Board of Directors do not receive any bonuses or remunerations until the Company achieves a positive income. Hence, members of the Board of Directors of Wataniya Mobile did not receive any bonuses or remunerations during 2012. Wataniya Mobile, however, covers all travel expenses of the Board members to attend meetings of the Board of Directors, which amounted in total to U.S. \$8,827 during 2012.

The following is a breakdown of the total:

Member's Name	Position	Total Annual Salary	Annual Travel Allowance	Annual Bonuses	Allowance for Attending Board Meetings	Total annual benefits
Dr. Mohammad Mustafa	Chairman of the Board	-	2,550	-	-	2,550
Dr. Nasser Marafih	Vice-Chairman	-	440	-	-	440
Mr. Faisal Al-Shawwa	Member	-	2,550	-	-	2,550
Dr. Durgham Maraee	Member	-	500	-	-	500
H.E. Mohammad Bin Issa Al-Mohannadi *	Member	-	-	-	-	-
Mr. Michael Hancock	Member	-	287	-	-	287
Mr. Amer Sunna	Member	-	2,500	-	-	2,500
Mr. Khalid Al Mahmoud	Member	-	-	-	-	-
<b>Total</b>		-	8,827			8,827

\* H.E. Mohammad Bin Issa Al-Mohannadi resigned on 10 June 2012.

With regard to the policy of attendance allowances at Board meetings for Board members, Wataniya Mobile is in the process of finalizing this policy.

## Executive Management Bonuses

Total salaries and bonuses of members of the executive management team amounted to U.S. \$2,513,007 including those of the current executive management members and those whose contracts ended during 2012, and noting that there are no indirect remunerations such as guarantees or loans.

## Executive Management Contracts

Executive management contracts are permanent contracts that do not differ from those of other employees, and that comply with the Palestinian Labor Law.

## Shareholders owning 5% or more as of 31 December 2012

Name of Shareholder	Number of Shares Owned	Percentage of Shares Owned
Wataniya International - FZ LLC	125,001,000	48.45%
Palestine Investment Fund (PIF)	87,794,885	34.03%

As of 31 December, 2012, there were no shareholders owning more than 5% within the free trading shareholders (the public).



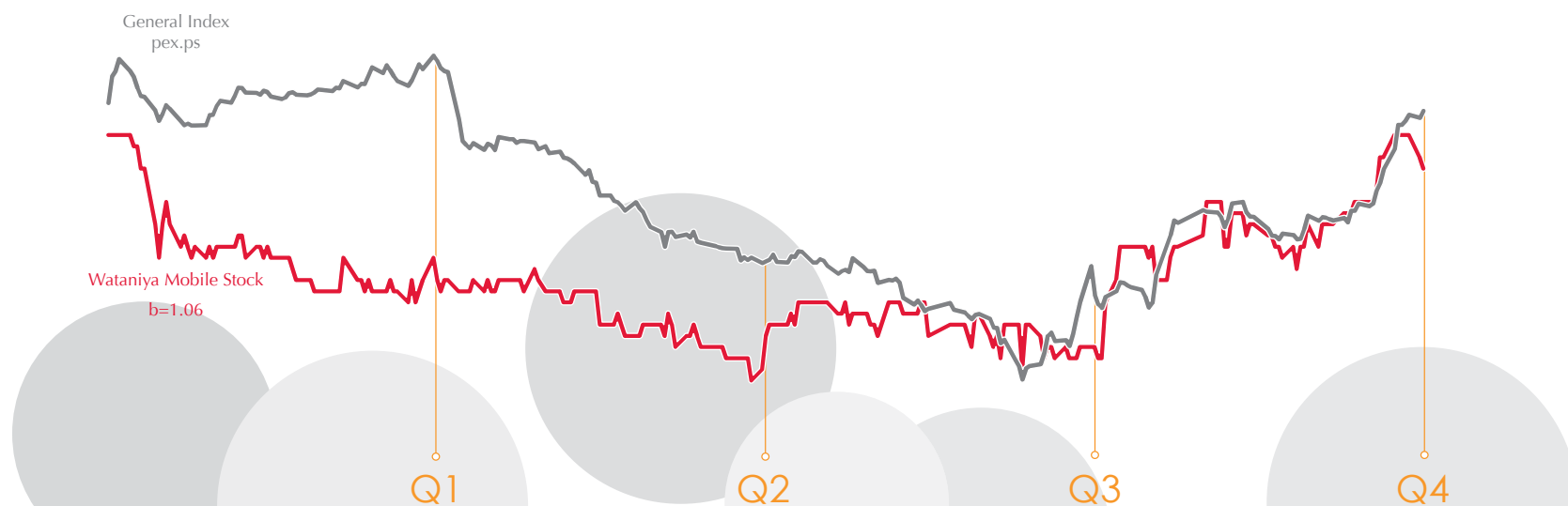
## Summary of Wataniya Mobile Shares trading Activity during 2012

Following from the initial public offering (IPO), Wataniya Mobile's shares have been listed on the Palestine Exchange as of 9 January, 2011, where the Company's securities are traded.

Trade Information	Value		Ranking on Palestine Exchange	
	2012	2011*	2012	2011*
Number of Shares Traded	13,069,761	13,544,306	5	3
Value of Shares Traded (U.S. \$)	16,623,598	17,529,223	4	5
Number of Deals Concluded	2,666	4,588	5	4
Number of Trading Sessions	244	241	4	4
Company Market Capitalization as of year end (U.S. \$)	327,660,000	332,820,000	3	3
Number of Shareholders	11,800	12,579	3	3

\* Company's share trading activity from 9 January 2011 to 31 December 2011.

The Following is Wataniya Mobile's stock movement during 2012:



The highest and lowest price for Wataniya Mobile shares per Quarter in 2012 and in 2011:

2012 (U.S. \$)	Q1	Q2	Q3	Q4
Highest Price	1.30	1.19	1.16	1.30
Lowest Price	1.15	1.08	1.07	1.10
Closing Price	1.17	1.08	1.11	1.27

2011 (U.S. \$)	Q1	Q2	Q3	Q4
Highest Price	1.44	1.30	1.25	1.31
Lowest Price	1.24	1.17	1.16	1.10
Closing Price	1.25	1.17	1.22	1.29

## Intellectual Property, Franchises and Patents

Wataniya Mobile and its products are not franchised or considered to be intellectual property, and do not enjoy government protection or patent status.

## Investment Policy and Risks

Wataniya Mobile has not made any major investments - beyond the scope of its work - over the past two fiscal years. Accordingly, the Company is not subject to any investment risks.

## Other Disclosures

**Disclosure Regulation - Article 18-2:** Wataniya Mobile has submitted its 2012 audited financial statements for the Company's Board of Directors approval; therefore, no preliminary unaudited financial statements exist.

**Disclosure Regulation - Article 20-1-A:** In general, there has been no change that has impacted Wataniya Mobile's business for the past two consecutive fiscal years, such as declaration of bankruptcy, merger or disposition of any of its core assets.

**Disclosure Regulation - Article 20-4:** Most of Wataniya Mobile's services are permanent, non-seasonal, with the exception of some value added services related to providing special seasonal content.

**Disclosure Regulation - Article 20-8:** There has been no interruption in the flow of Wataniya Mobile's business during the previous period that might have had a material impact on the financial position of the Company.

**Disclosure Regulation - Articles 21-3 and 31- 4-I:** Wataniya Mobile does not invest or have equity in any other company, inside or outside of Palestine.

**Disclosure Regulation - Article 21-4:** Wataniya Mobile does not conduct any operational activities outside of Palestine.



**Disclosure Regulation - Article 24:** With respect to the properties and equipment, their location, size and the characteristics of each major category, they are as follows:

Property and equipment	Location	Size and features
Network equipment	North, middle and south of the West Bank	Switches, transmission, radio base station, and power equipments
Network infrastructure	North, middle and south of the West Bank	Civil and infrastructure works, towers and fences
IT systems & Computers	Headquarter and showrooms	Information systems
Office equipment	Headquarter and showrooms	Office supplies and accessories
Furniture and fixtures	Headquarter and showrooms	Furniture & fixtures at headquarter and showrooms
Leasehold improvements	Headquarter and showrooms	Civil, electrical & mechanical works
Others	Headquarter and showrooms	Fire extinguishers

**Disclosure Regulation - Article 29-H:** Wataniya Mobile looks forward to achieve its commitment to list its shares in the first market at Palestine Exchange, noting that its shares are currently listed in the second market.

**Disclosure Regulation - Article 31-2:** Financial transactions made during 2012 in currencies other than the U.S. Dollar are converted to the U.S. Dollar according to the exchange rates prevailing on the transaction date. Whereas, monetary assets and liabilities were revaluated at the end of 2012 to the U.S. Dollar according to the New Israeli Shekel against the U.S. Dollar exchange rate of 3.375. The Bank of Palestine is the source of the exchange rates.

**Disclosure Regulation - Articles 31-3-A+B:**

- A. The abundance of working capital, its internal sources, sources of unused cash, and the factors that led to its increase has been referred to in the cash flow statement in the year 2012 audited financial statements.
- B. Sources of capital have been referred to in Note 11 of the year 2012 audited financial statements, and projected changes in capital structure have been noted under the title Change of Control.



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Financial  
performance



A hand is holding a red pen and writing on a document. A large, stylized yellow number '6' is overlaid on the left side of the image. The text 'Progression is our Continuous Ambition' is written in the center-right of the image. The background is a blurred image of a document with a bar chart and text.

Progression  
is our  
Continuous  
Ambition



## Financial Performance

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Performance Indicators 67

### Financial Statements

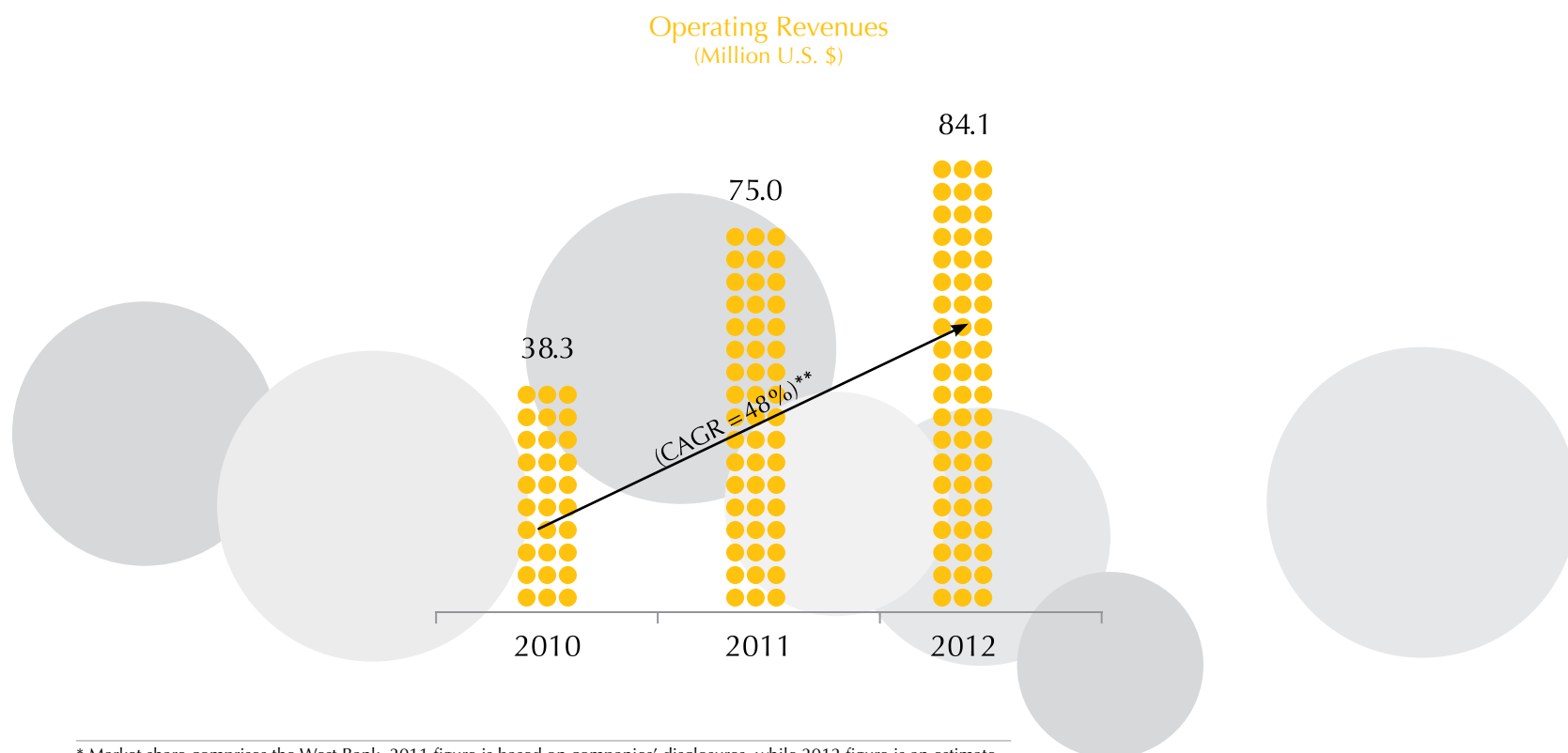
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## Operating Results and Financial Performance Indicators

During 2012 Wataniya Mobile progressed with more achievements, it increased the Company's market share in the West Bank to 28%\* at the end of 2012, from 24%\* at the end of 2011, an increase of 14%. The increase was mainly driven by the advanced marketing and sales strategies implemented by the Company to attract and maintain subscribers. The Company has kept on offering various products and services that are appropriate for all segments, including employees in the public and private sectors, university students and others. It has provided outstanding solutions that increased subscribers' benefits and satisfaction. Furthermore, Wataniya Mobile succeeded in 2012 in producing outstanding services that were introduced into the Palestinian market for the first time, such as Facebook short-messaging services which enables the subscriber to communicate through Facebook using SMS, without the need to actually browse the Facebook website, in addition to a number of exceptional services such as "Hawilli" Service which enables Wataniya Mobile subscribers to request a credit transfer from acquaintances or friends.

Utilizing this effective method, the Company succeeded in increasing the number of its subscribers to more than 610 thousand at the end of 2012, an increase of 31% over 2011, when the number of subscribers was nearly 465 thousand.

This noticeable increase in the subscribers' base was accompanied by achieving high earnings results, where the Company achieved an increase in revenues by 12%, reaching U.S. \$84.1 million at the end of 2012, compared to U.S. \$75.0 million at the end of 2011, despite the currency exchange rate impact.



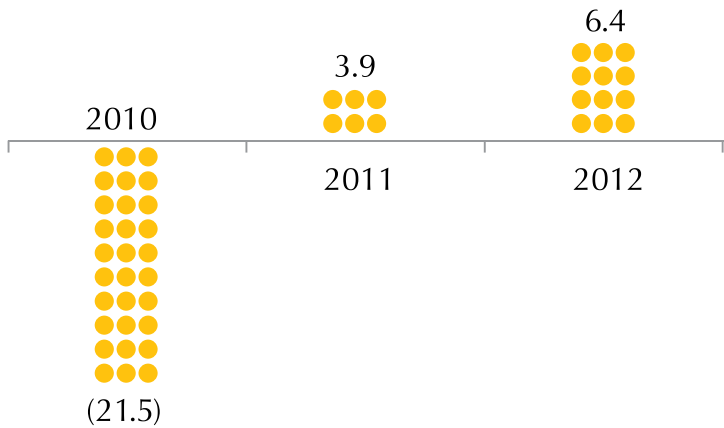
\* Market share comprises the West Bank, 2011 figure is based on companies' disclosures, while 2012 figure is an estimate.

\*\* Compound Annual Growth Rate.

Furthermore, subject to the increase in the proportion of prepaid subscribers of the total subscribers in addition to the impact of the change in the exchange rate, the average revenue per subscriber (ARPU) decreased to U.S. \$10.4 at the end of 2012 from U.S. \$12.7 at the end of 2011, a decline rate of 18%.

Despite the ARPU decrease, the Company’s earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 63%, reaching U.S. \$6.4 million at the end of 2012, compared to U.S. \$3.9 million at the end of 2011. This increase resulted from an improvement in the Company’s operating performance where gross profit increased by U.S. \$5.3 Million at the end of 2012 over the same period of 2011.

Earnings before interest, taxes, depreciation and amortization - EBITDA  
(Million U.S. \$)



The Company’s earnings before interest and taxes (EBIT) also increased by 5%, reaching U.S. \$(17.9) million in 2012, compared to U.S. \$(18.8) million in 2011. This came as a result of the increase in the gross profit.

Finally, the Company’s net loss amounted to U.S. \$(23.8) million at the end of 2012, compared to U.S. \$(26.2) million at the end of 2011, an improvement by 9%.



Alongside the growth rates achieved, the Company worked on enhancing its abilities and quality of services through investing in its infrastructure and systems to service mobile telecommunication. Capital expenditures in 2012 amounted to U.S. \$23.1 million, of which U.S. \$14.7 million related to Gaza. The network coverage was expanded to include most rural areas and inter city routes, thus Wataniya Mobile's coverage became available with high quality in 97% of residential areas in the West Bank. Wataniya Mobile's network has become the best performer in Palestine, as the quality of service was also increased substantially, with the voice quality and clarity reaching very high standards according to network benchmarks.

As for the Gaza Strip, technical teams have completed designing the network to guarantee full coverage and outstanding services as is the case in the West Bank.



Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

Financial Statements  
As of December 31, 2012



## **Independent auditors' report to the shareholders of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company**

We have audited the accompanying financial statements of Wataniya Palestine Mobile Telecommunication - Public Shareholding Company (the Company), which comprise the statement of financial position as of December 31, 2012 and the income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'Ernst & Young'.

February 3, 2013

A member firm of Ernst & Young Global Limited

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2012

		2012	2011
	Notes	U.S. \$	U.S. \$
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property and equipment, net	3	54,429,592	61,185,943
Projects in progress	5	19,576,928	4,605,319
Advances to contractors		657,615	1,662,030
Intangible assets	4	155,433,618	164,782,708
Restricted cash	6	-	9,480,558
		<u>230,097,753</u>	<u>241,716,558</u>
<b>Current assets</b>			
Prepayments and other current assets	7	5,784,193	8,348,772
Inventory	8	1,309,778	1,721,276
Accounts receivable	9	11,857,100	7,200,912
Cash on hand and at banks	10	<u>44,599,394</u>	<u>29,466,668</u>
		<u>63,550,465</u>	<u>46,737,628</u>
<b>Total Assets</b>		<u><u>293,648,218</u></u>	<u><u>288,454,186</u></u>
<b><u>Equity and liabilities</u></b>			
<b>Equity</b>			
Paid-in share capital	11	258,000,000	258,000,000
Share premium		11,610,000	11,610,000
Accumulated losses		<u>(156,919,119)</u>	<u>(133,092,929)</u>
<b>Net equity</b>		<u><u>112,690,881</u></u>	<u><u>136,517,071</u></u>



		2012	2011
	Notes	U.S. \$	U.S. \$
<b>Non-current liabilities</b>			
Provision for employees' indemnity	12	3,813,957	1,876,463
Interest-bearing loans and borrowings	13	73,367,443	54,373,720
Other non-current liability	4	<u>54,346,654</u>	<u>54,346,654</u>
		<u>131,528,054</u>	<u>110,596,837</u>
<b>Current liabilities</b>			
Current portion of interest-bearing loans and borrowings	13	12,000,000	15,788,000
Accounts payable		7,477,286	5,840,932
Due to related parties	14	163,089	219,275
Deferred revenues		4,039,283	2,757,129
Accrued expenses	15	16,577,799	13,679,574
IPO oversubscription payables	16	46,274	70,775
Accrued project cost		<u>9,125,552</u>	<u>2,984,593</u>
		<u>49,429,283</u>	<u>41,340,278</u>
<b>Total liabilities</b>		<u>180,957,337</u>	<u>151,937,115</u>
<b>Total Equity and Liabilities</b>		<u>293,648,218</u>	<u>288,454,186</u>

The attached note 1 to 26 form part of these financial statements

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**INCOME STATEMENT**

For the year ended December 31, 2012

		2012	2011
	Notes	U.S. \$	U.S. \$
Revenue		84,120,379	74,999,017
Cost of services		<u>(49,069,822)</u>	<u>(45,211,069)</u>
		<u>35,050,557</u>	<u>29,787,948</u>
Finance revenues		294,291	333,918
Currency exchange gain (loss)		243,461	(1,651,635)
General and administrative expenses	17	(21,226,619)	(17,095,381)
Marketing expenses	19	(5,828,293)	(5,657,830)
Depreciation and amortization	3,4	(24,323,166)	(22,751,479)
Finance costs	18	(6,231,700)	(5,855,406)
Provision for doubtful accounts	9	<u>(1,804,721)</u>	<u>(3,289,388)</u>
<b>Loss for the year</b>		<u>(23,826,190)</u>	<u>(26,179,253)</u>
Basic and diluted earnings per share	20	<u>(0.09)</u>	<u>(0.10)</u>

The attached note 1 to 26 form part of these financial statements

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2012

	2012	2011
	U.S. \$	U.S. \$
<b>Loss for the year</b>	(23,826,190)	(26,179,253)
Other comprehensive income for the year	-	-
<b>Total loss and comprehensive income for the year</b>	<u>(23,826,190)</u>	<u>(26,179,253)</u>

The attached note 1 to 26 form part of these financial statements

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2012

	2012	2011
	U.S. \$	U.S. \$
<b>Operating activities</b>		
Loss for the year	(23,826,190)	(26,179,253)
Adjustments for:		
Depreciation	13,418,739	12,299,559
Provision for employees' indemnity	2,057,597	781,329
Provision for doubtful accounts	1,804,721	3,289,388
Loss on disposal of property and equipment and intangibles	45,611	60,293
Finance revenues	(294,291)	(333,918)
Finance costs	6,231,700	5,855,406
Amortization	10,904,427	10,451,920
	10,342,314	6,224,724
Working capital changes:		
Prepayments and other current assets	2,564,579	1,285,940
Inventory	411,498	(680,921)
Accounts receivable	(6,460,909)	(4,003,723)
Accounts payable	1,636,354	(1,188,654)
Deferred revenue	1,282,154	200,067
Accrued expenses	3,586,524	581,991
Employees' indemnity paid	(120,103)	(294,941)
Net cash flows from operating activities	13,242,411	2,124,483



	2012	2011
	U.S. \$	U.S. \$
<b>Investing activities</b>		
Purchase of property and equipment	(1,096,311)	(1,432,452)
Purchase of Intangible assets	(905,543)	(584,667)
Proceeds from disposal of property and equipment	49,492	252,769
Increase in projects in progress	(15,141,624)	(8,330,134)
Advances to contractors	1,004,415	(131,805)
Interest received	294,291	333,918
Net cash flows used in investing activities	(15,795,280)	(9,892,371)
<b>Financing activities</b>		
IPO oversubscription payables	(24,501)	(22,203,594)
Repayment of syndicated loan	(69,212,000)	(15,788,000)
Syndicated loan drawdown	87,000,000	-
Syndicated loan transaction costs paid	(5,203,107)	(109,411)
Interest paid	(4,299,169)	(4,881,637)
Due to related parties	(56,186)	(2,494,256)
Restricted cash	9,480,558	(9,480,558)
Net cash flows from (used in) financing activities	17,685,595	(54,957,456)
<b>Increase (decrease) in cash and cash equivalents</b>	15,132,726	(62,725,344)
Cash and cash equivalents, Beginning of year	29,466,668	92,192,012
<b>Cash and cash equivalents, End of year</b>	<u>44,599,394</u>	<u>29,466,668</u>

The attached note 1 to 26 form part of these financial statements

Wataniya Palestine Mobile Telecommunication  
Public Shareholding Company

**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2012

	Paid-in share capital	Share Premium	Accumulated losses	Net Equity
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Balance at January 1, 2012</b>	258,000,000	11,610,000	(133,092,929)	136,517,071
Total loss and comprehensive income for the year	-	-	(23,826,190)	(23,826,190)
<b>Balance at December 31, 2012</b>	<b>258,000,000</b>	<b>11,610,000</b>	<b>(156,919,119)</b>	<b>112,690,881</b>
<b>Balance at January 1, 2011</b>	258,000,000	11,610,000	(106,913,676)	162,696,324
Total loss and comprehensive income for the year	-	-	(26,179,253)	(26,179,253)
<b>Balance at December 31, 2011</b>	<b>258,000,000</b>	<b>11,610,000</b>	<b>(133,092,929)</b>	<b>136,517,071</b>

The attached note 1 to 26 form part of these financial statements

# Wataniya Palestine Mobile Telecommunication Public Shareholding Company

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

### 1. Activities

Wataniya Palestine Mobile Telecommunication Company (the Company), located in Ramallah, was registered and incorporated in Palestine on January 27, 2007 as a Private Limited Shareholding Company under registration No. 562499541. On October 25, 2010, the legal form of the Company was changed to a Public Shareholding Company under registration No. 562601328.

The Company was formed with an authorized share capital of 5,000,000 shares with U.S. \$ one par value each. During 2008, the Company's authorized and paid-in share capital was increased to 170,000,000 shares with U.S. \$ one par value each. The Company's General Assembly in its extraordinary meeting held on October 25, 2010 resolved to increase the Company's authorized share capital to 258,000,000 shares with U.S. \$ one par value each. The existing shareholders (WIL and PIF) subscribed for 49,300,000 shares through capitalizing portion of the shareholders' loans and the related accrued interest. The remaining 38,700,000 shares were offered to the public at an offer price of U.S. \$ 1.3 per share, resulting in a share premium of U.S. \$ 11,610,000. The public offering took place during the period from November 7, 2010 to December 2, 2010.

On March 14, 2007, the Company entered into a license agreement (the License) with the Ministry of Telecommunications and Information Technology (the MTIT) to provide 2G and 3G mobile services in the West Bank and Gaza. The term of the License shall be fifteen years from the effective date being the date on which the MTIT makes the frequencies available to the Company. The effective date was originally set on August 6, 2008. On December 16, 2009, the MTIT approved the Company's request to determine September 10, 2009 as the effective date, instead of August 6, 2008, since it represents the date on which only 2G frequencies were allocated.

The Company started its operations on November 1, 2009.

The Company's main activities are offering, managing, and selling wireless telecommunication services, as well as constructing and operating wireless telecommunication stations and telephone networks.

The financial statements of the Company as of December 31, 2012 were authorized for issue in accordance with the Board of Directors resolution on February 3, 2013.

### 2. Summary of significant accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are presented in United States Dollar, which is the functional currency of the Company.

The financial statements have been prepared under the historical cost convention.

### **Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS's and IAS's effective January 1, 2012. Adoption of these standards and interpretations did not have any effect on the results of operations or financial position of the Company.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

IAS 1 Financial Statement Presentation: Presentation of items of Other Comprehensive Income

The following IFRS have been issued but are not yet effective, and have not been adopted by the Company:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 13 Fair Value Measurement

### **Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity are described below:

#### Interconnection revenues and costs

The Company's management uses certain estimates to determine the amount of interconnection revenues, costs, receivables, and payables.

#### Useful lives of tangible and intangible assets

The Company's management reassesses the useful lives of tangible and intangible assets, and adjusts if applicable, at each financial year end.

### **Revenue recognition**

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received, excluding discounts and sales commissions. The following specific recognition criteria must also be met before revenue is recognized:

#### Rendering of services

Revenues from airtime are recognized when the service is rendered. Sales of prepaid cellular phone cards are recorded as deferred revenues until recognized as revenues.

#### Equipment sales

Revenues from sale of cellular phone sets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.



### Interest income

Interest income is recognized as interest accrues using the effective interest rate.

### **Expenses recognition**

Expenses are recognized when incurred based on the accrual basis of accounting.

### **Income tax**

According to the Palestinian Investment Promotion Agency certificate issued on October 27, 2009, the Company was granted the right to benefit from the Palestinian Law for Encouragement of Investment. Accordingly, the Company is granted full exemption from income tax for a period of five years starting after the year in which the Company commenced its operations.

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful Lives (years)
Network equipment	8
Network infrastructure	8
Computers	3-5
Office equipment	2-5
Furniture and fixtures	4
Leasehold improvements	5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized, and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditures are recognized in the income statement as the expense is incurred.

### **Projects in progress**

Projects in progress comprise costs of direct labor, direct materials, equipment, and contractors' costs. After completion, projects in progress are transferred to property and equipment.

The carrying values of projects in progress are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the projects are written down to their recoverable amount.



### **Inventories**

Inventories are stated at the lower of cost and net realizable value; cost is determined using the weighted average method. Costs are those amounts incurred in bringing each product to its present location and condition.

### **Accounts receivable**

Accounts receivable are stated at original invoice amount less a provision for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

### **Impairment and uncollectibility of financial assets**

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

### **Provision for employees' indemnity**

Provision for employees' indemnity (end of service benefit) is calculated in accordance with the Labor Law prevailing in Palestine and the Company's human resource policies. The entitlement is based upon the employees' last salary and length of service. The expected costs of these benefits are accrued over the estimated period of employment.

### **Employees Provident Fund**

Provision for employees' provident fund is calculated in accordance with the provident fund bylaws. The entitlement is based upon the employees' last salary and length of service. The expected costs of these benefits are accrued over the estimated period of employment based on specific contributions from the Company and the Company's employees.

### **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

### Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

### Loans and borrowings

Loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Intangible assets

The Company's main intangible asset is the license agreement with the Ministry of Telecommunications and Information Technology. The term of the license is fifteen years from the effective date of September 10, 2009, being the date on which the frequencies to launch operations in the West Bank were made available to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

### Foreign currencies

Transactions denominated in currencies other than U.S. \$, occurring during the period, are translated to U.S. \$ using the exchange rate at the date of the transaction. Monetary assets and liabilities, which are denominated in foreign currencies are translated into U.S. \$ using the rate of exchange at the statement of financial position date. Gains or losses arising from exchange differences are reflected in the income statement.



### 3. Property and equipment

	Network equipment	Network infrastructure	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Others	Total
2012	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Cost</b>								
At January 1, 2012	48,176,769	20,480,027	11,892,062	967,325	699,824	4,744,542	29,437	86,989,986
Additions	3,593,105	790,059	753,926	459,373	463,721	694,866	2,441	6,757,491
Disposals	(29,811)	(17,458)	-	(79,793)	(3,298)	(14,730)	-	(145,090)
At December 31, 2012	<u>51,740,063</u>	<u>21,252,628</u>	<u>12,645,988</u>	<u>1,346,905</u>	<u>1,160,247</u>	<u>5,424,678</u>	<u>31,878</u>	<u>93,602,387</u>
<b>Accumulated depreciation</b>								
At January 1, 2012	11,527,665	4,961,375	6,326,704	470,775	403,292	2,092,788	21,444	25,804,043
Depreciation charge for the year	6,385,105	2,611,179	2,960,285	255,292	200,930	999,274	6,674	13,418,739
Disposals	(8,000)	(2,258)	-	(33,470)	(2,020)	(4,239)	-	(49,987)
At December 31, 2012	<u>17,904,770</u>	<u>7,570,296</u>	<u>9,286,989</u>	<u>692,597</u>	<u>602,202</u>	<u>3,087,823</u>	<u>28,118</u>	<u>39,172,795</u>
<b>Net carrying amount</b>								
At December 31, 2012	<u>33,835,293</u>	<u>13,682,332</u>	<u>3,358,999</u>	<u>654,308</u>	<u>558,045</u>	<u>2,336,855</u>	<u>3,760</u>	<u>54,429,592</u>

	Network equipment	Network infrastructure	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Others	Total
<u>2011</u>	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b><u>Cost</u></b>								
At January 1, 2011	42,197,575	19,715,323	11,209,982	670,557	645,763	4,445,614	29,108	78,913,922
Additions	5,998,779	1,021,100	698,035	297,828	86,751	342,669	329	8,445,491
Disposals	(19,585)	(256,396)	(15,955)	(1,060)	(32,690)	(43,741)	-	(369,427)
At December 31, 2011	<b>48,176,769</b>	<b>20,480,027</b>	<b>11,892,062</b>	<b>967,325</b>	<b>699,824</b>	<b>4,744,542</b>	<b>29,437</b>	<b>86,989,986</b>
<b><u>Accumulated depreciation</u></b>								
At January 1, 2011	5,859,026	2,510,030	3,508,215	246,094	270,597	1,156,460	12,012	13,562,434
Depreciation charge for the year	5,672,626	2,462,703	2,829,227	225,357	156,433	943,781	9,432	12,299,559
Disposals	(3,987)	(11,358)	(10,738)	(676)	(23,738)	(7,453)	-	(57,950)
At December 31, 2011	<b>11,527,665</b>	<b>4,961,375</b>	<b>6,326,704</b>	<b>470,775</b>	<b>403,292</b>	<b>2,092,788</b>	<b>21,444</b>	<b>25,804,043</b>
<b><u>Net carrying amount</u></b>								
At December 31, 2011	<b>36,649,104</b>	<b>15,518,652</b>	<b>5,565,358</b>	<b>496,550</b>	<b>296,532</b>	<b>2,651,754</b>	<b>7,993</b>	<b>61,185,943</b>

#### **4. Intangible assets**

On March 14, 2007, the Company entered into a license agreement (the License) with the Ministry of Telecommunications and Information Technology (the MTIT) to provide 2G and 3G mobile services in West Bank and Gaza for the total price of U.S. \$354,000,000. The term of the License is fifteen years from the effective date, being the date on which the frequencies to enable launch of operations in West Bank were allocated to the Company. The effective date was originally set on August 6, 2008. On December 16, 2009, the MTIT approved the Company's request to determine September 10, 2009 as the effective date, instead of August 6, 2008, since it represents the date on which the frequencies were actually allocated.

An amount of U.S. \$140,000,000 of the total license price was paid by the Company on August 6, 2008. The remaining price of the license of U.S. \$214,000,000 is to be paid in two installments of U.S. \$80,000,000 and U.S. \$134,000,000 upon reaching certain subscribers milestones and provided that the MTIT fulfills its obligations to enable the Company to provide 2G and 3G services in West Bank and Gaza as stated in the license agreement.

The Company's license includes West Bank and Gaza. The MTIT notified the Company that it can start operations in West Bank; however, the Company's right to use the frequencies in Gaza was delayed until further notice.

Therefore, the license price of U.S. \$354,000,000 was allocated between West Bank and Gaza based upon the split of addressable markets in both territories and assumed subscribers and revenues for each territory. The portion of the license price relating to West Bank was estimated at U.S. \$ 212,400,000, of which U.S. \$140,000,000 was paid on August 6, 2008. The Company estimates that the remaining amount of U.S. \$72,400,000 will be paid in 2014, being the date on which the Company expects to reach the subscribers milestone. The portion of the license price of U.S. \$ 141,600,000 relating to Gaza was not recognized in the financial statements as the Company was not granted access to launch services in Gaza. The deferred portion was initially recorded as other non current liability at its fair value of U.S. \$ 44,871,337 calculated by discounting the U.S. \$ 72,400,000 to its present value using an interest rate of 8%, which approximated the Company's borrowing interest rate. The deferred portion of the price was subsequently measured at amortized cost using the effective interest method. The intangible asset was initially recorded at U.S. \$ 184,871,337 being the total of the payment made on the effective date of U.S. \$ 140,000,000 and the present value of the deferred portion of U.S. \$ 44,871,337.

Based on the fact that the Company is unable to utilize all the benefits granted in the license agreement resulting from MTIT not fulfilling its obligations related to 3G frequencies and international Gateways portion of the license, the Company prospectively changed its accounting estimates related to the remaining license cost as of January 1, 2011. Accordingly, the Company started to amortize only the paid amount of the license less accumulated amortization as of December 31, 2010 over the remaining useful life of the license. Further the Company stopped calculating interest on the deferred liability until the time it reaches an agreement with MTIT regarding the 3G frequencies and international Gateways portion of the license.

The Company started amortizing the License on November 1, 2009 being the date on which it commenced its operations.



The movement on intangible assets is as follows:

	License	Software	Total
	U.S. \$	U.S. \$	U.S. \$
<b><u>Cost</u></b>			
At January 1, 2012	184,871,337	5,928,734	190,800,071
Additions	-	1,555,337	1,555,337
At December 31, 2012	184,871,337	7,484,071	192,355,408
<b><u>Accumulated Amortization</u></b>			
At January 1, 2012	23,670,547	2,346,816	26,017,363
Amortization for the year	9,183,905	1,720,522	10,904,427
At December 31, 2012	32,854,452	4,067,338	36,921,790
<b><u>Net carrying amount</u></b>			
At December 31, 2012	152,016,885	3,416,733	155,433,618
At December 31, 2011	161,200,790	3,581,918	164,782,708

## 5. Projects in progress

	2012	2011
	U.S. \$	U.S. \$
Network	17,365,978	3,669,402
Renovations	359,642	160,139
Network infrastructure	352,236	139,188
IT system project	330,000	-
Billing system	88,465	261,329
Capitalized interest cost	84,979	51,362
Data center expansion phase	76,722	-
Sites electricity	20,474	9,878
Generators	-	133,974
Others	898,432	180,047
	<u>19,576,928</u>	<u>4,605,319</u>

The movement on projects in progress is as follows:

	2012	2011
	U.S. \$	U.S. \$
Beginning balance	4,605,319	2,011,967
Additions	21,282,583	10,699,165
Transferred to property and equipment	<u>(6,310,974)</u>	<u>(8,105,813)</u>
	<u>19,576,928</u>	<u>4,605,319</u>

The estimated cost to complete the above projects as of December 31, 2012 is U.S. \$ 10,797,007.

## 6. Restricted cash

This account represents the cash restricted to the benefit of Standard Bank in relation with the old syndicated loan with an average interest rate of 0.7%. During the year the restriction was released due to the repayment of the outstanding balance of the old syndicated loan (Note 13).

## 7. Prepayments and other current assets

	2012	2011
	U.S. \$	U.S. \$
VAT receivables	4,516,532	7,367,572
Prepaid sites' rent	648,269	612,029
Prepaid warranty	188,158	148,168
Prepaid software license	135,501	113,085
Prepaid rent expense	103,802	48,636
Due from employees	23,301	24,994
Other	<u>168,630</u>	<u>34,288</u>
	<u><u>5,784,193</u></u>	<u><u>8,348,772</u></u>

## 8. Inventory

	2012	2011
	U.S. \$	U.S. \$
Handsets	675,914	549,075
Sim cards	287,517	504,160
Accessories	210,849	441,439
Scratch cards	<u>135,498</u>	<u>226,602</u>
	<u><u>1,309,778</u></u>	<u><u>1,721,276</u></u>

## 9. Accounts receivable

	2012	2011
	U.S. \$	U.S. \$
Receivables from subscribers	9,981,953	6,678,944
Interconnection partners	4,474,654	2,904,360
Roaming partners and other receivables	<u>2,620,847</u>	<u>905,454</u>
	17,077,454	10,488,758
Allowance for doubtful accounts	<u>(5,220,354)</u>	<u>(3,287,846)</u>
	<u>11,857,100</u>	<u>7,200,912</u>

Following is a summary of the movement on the provision for doubtful accounts during the year:

	2012	2011
	U.S. \$	U.S. \$
Balance at January 1	3,287,846	151,578
Provision for the year	1,804,721	3,289,388
Foreign currency difference	<u>127,787</u>	<u>(153,120)</u>
Balance at December 31	<u>5,220,354</u>	<u>3,287,846</u>

As at December 31, 2012, the aging analysis of the unimpaired trade receivables is as follows:

	Past due but not impaired						
	Not due	1-30 days	31-60 days	61-90 days	91-120 days	More than 120 days	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2012	5,624,639	1,352,739	858,670	461,945	1,157,877	2,401,230	11,857,100
2011	3,501,487	1,291,010	643,597	615,505	589,050	560,263	7,200,912

The Company expects to recover all unimpaired receivables.

## 10. Cash and cash equivalents

	2012	2011
	U.S. \$	U.S. \$
Cash on hand	155,913	58,047
Cash at banks and short term deposits	44,443,481	29,408,621
	<u>44,599,394</u>	<u>29,466,668</u>

As of December 31, 2012, the Company has seven short term deposits amounting to U.S.\$ 33,351,976 (2011: U.S \$ 27,738,574) at local banks with an average interest rate of 1.63% (2011: 1.54%).

## 11. Paid-in share capital

	2012	2011
	U.S. \$	U.S. \$
Wataniya International FZ – LLC (WIL)	125,001,000	125,001,000
Palestine Investment Fund, PLC (PIF)	94,299,000	94,299,000
Public shareholders	<u>38,700,000</u>	<u>38,700,000</u>
	<u>258,000,000</u>	<u>258,000,000</u>



## 12. Provision for employees' indemnity

	Employees' indemnity	Provident Fund	Total
	U.S. \$	U.S. \$	U.S. \$
<u>2012</u>			
Balance, beginning of year	1,876,463	-	1,876,463
Additions	1,102,229	953,978	2,056,207
Payments during the year	(120,103)	-	(120,103)
Exchange rate	<u>(921)</u>	<u>2,311</u>	<u>1,390</u>
	<u><u>2,857,668</u></u>	<u><u>956,289</u></u>	<u><u>3,813,957</u></u>
<u>2011</u>			
Balance, beginning of year	1,390,075	-	1,390,075
Additions	781,329	-	781,329
Payments during the year	<u>(294,941)</u>	<u>-</u>	<u>(294,941)</u>
	<u><u>1,876,463</u></u>	<u><u>-</u></u>	<u><u>1,876,463</u></u>

### 13. Interest bearing loans and borrowings

	2012	2011
	U.S. \$	U.S. \$
<b>Shareholders' loans</b>		
Wataniya International FZ – LLC (WIL)*	2,850,000	2,850,000
Palestine Investment Fund, PLC (PIF)*	2,150,000	2,150,000
Accrued interest (WIL)	440,976	266,910
Accrued interest (PIF)	<u>332,222</u>	<u>200,908</u>
	<u>5,773,198</u>	<u>5,467,818</u>
<b>Third parties' loans</b>		
Local banks' loans **	51,000,000	26,994,000
IFC loan**	36,000,000	24,540,000
Ericsson loan**	-	17,178,000
ECA loan**	<u>-</u>	<u>500,000</u>
	<u>87,000,000</u>	<u>69,212,000</u>
<b>Less: transaction costs directly attributable to third parties' loans***</b>	<u>(7,405,755)</u>	<u>(4,518,098)</u>
	<u>85,367,443</u>	<u>70,161,720</u>
Non-current portion	73,367,443	54,373,720
Current portion	<u>12,000,000</u>	<u>15,788,000</u>
	<u>85,367,443</u>	<u>70,161,720</u>

\* On January 14, 2009, the Company entered into a loan agreement with its shareholders for a total amount of U.S. \$ 31,055,314. The loan bears annual interest rate of LIBOR plus 5.85%. The loan and the interest are repayable in full on December 31, 2014. On June 22, 2010, the Company entered into a new loan agreement with its shareholders for a total amount of U.S. \$ 30,000,000. The new loan includes an unsubordinated portion of U.S \$ 5,000,000 and a subordinated portion of U.S. \$ 25,000,000. The loan bears annual interest rate of LIBOR plus 5.85%. The loan and the interest of the subordinated portion are repayable in full on the later of December 31, 2014 or six months after the final maturity of all or any senior loans which the Company has or will obtain, whereas the repayment of the loan and interest of the unsubordinated portion is to be made when the Company has the financial ability to make payment. The Company received two payments on this loan amounting to U.S. \$ 20,000,000 in June and September 2010, of which U.S. \$ 5,000,000 relates to the unsubordinated portion and the remaining relates to the subordinated portion.

During October 2010, an amount of U.S.\$ 49,300,000 of the Company's shareholders loans and related accrued interest was capitalized.

- \*\* On January 19, 2009, the Company signed syndicated loan agreements with various lenders for a total amount of U.S. \$ 85,000,000. The loans bear annual interest rate ranging from LIBOR plus 5.31% to 6.34% and are repayable in semi annual installments commencing January 15, 2011 and ending January 15, 2016. All the Company's assets are mortgaged as collaterals for these loans.

On May 31, 2012, the Company signed new syndicated loan (the Loan) agreements with various lenders for a total amount of U.S. \$ 125,000,000 to finance the expansion of the existing network in West Bank, the launch and development of the network in Gaza and its operations and to repay the old syndicated loan. The loan was divided to 3 phases, the first phase is related to refinancing and West bank operations, the second phase related to Gaza operations will not be utilized until the approval is obtained to release the network equipments to Gaza, and the third phase will be utilized when the 3G frequencies will be obtained. During December 2012 the Company received U.S. \$ 75,000,000 and repaid the utilized balance of the old syndicated loan and related interest. The Loan bears annual interest rate of 3 months LIBOR plus 5% and repayable in quarterly installments commencing September 15, 2014 and ending June 15, 2019. The company will be subject to 2% on the non-utilized portion of the loan as commitment fees.

On December 9, 2012, the Company signed an agreement with a local bank to finance the network equipment purchased for Gaza with a total amount of U.S. \$ 12,000,000; the Company will repay this amount upon commencement of the second phase of the syndicated loan but not after December 9, 2013. The loan bears annual interest rate of 3 months LIBOR plus 5.25%.

Following is the third parties' loans principal maturities for the utilized balance:

	U.S. \$
Matures during 2013	<u>12,000,000</u>
	<u>12,000,000</u>
Matures during 2014	3,750,000
2015	9,375,000
2016	15,000,000
2017	18,750,000
2018	18,750,000
2019	<u>9,375,000</u>
	<u>75,000,000</u>
	<u>87,000,000</u>

\*\*\* This item represents legal and other fees directly attributable to loans and borrowings that were incurred in relation to the loan agreements with the respective financial institutions.

#### 14. Due to related parties

	2012	2011
	U.S. \$	U.S. \$
Qatar Telecommunications (QTEL)*	163,089	219,275
	<u>163,089</u>	<u>219,275</u>

\* Qatar Telecommunications Company (QTEL) is the Parent Company of Wataniya International FZ – LLC.

#### 15. Accrued expenses

	2012	2011
	U.S. \$	U.S. \$
Accrued license fees*	7,126,498	3,731,344
Bonus	1,804,664	2,083,116
Accrued sales commission	1,648,562	1,124,934
Accrued interconnection and roaming cost	1,577,360	2,384,312
Marketing costs	455,153	626,124
Employees vacations	418,343	345,026
Payroll tax	224,847	201,249
Accrued interest and commitment fees	224,350	870,982
Accrued transaction costs attributable to Issuance of shares	32,231	42,214
Other	<u>3,065,791</u>	<u>2,270,273</u>
	<u>16,577,799</u>	<u>13,679,574</u>

\* This item represents the license fee payable to Palestine National Authority at 7% of the Company's annual gross service revenues

## 16. IPO oversubscription payables

This item represents the remaining balance as at December 31, 2012 of the oversubscription in relation to the initial public offering (IPO) that took place during the period from November 7, 2010 to December 2, 2010. This remaining amount will be refunded to the Company's shareholders during 2013.

## 17. General and administrative expenses

	2012	2011
	U.S. \$	U.S. \$
Salaries and related expenses	13,016,168	10,562,016
Rent	1,511,662	1,198,664
System support	1,929,453	1,181,999
Accommodation, travel and transportation	1,105,831	1,029,221
Warehousing and logistics	604,000	746,936
Water, electricity and fuel	407,461	416,108
Professional and consulting fees	476,511	362,414
Software license expense	257,852	222,379
Insurance	254,251	148,611
Security services	131,714	138,153
Telephone, fax and mail	152,125	136,196
Maintenance	106,510	120,542
Bank charges	66,344	39,064
Stationery and supplies	37,791	29,703
Other	<u>1,168,946</u>	<u>763,375</u>
	<u>21,226,619</u>	<u>17,095,381</u>



## 18. Finance costs

	2012	2011
	U.S. \$	U.S. \$
Interest on loans and borrowings	3,916,250	4,743,669
Amortization of transaction costs	<u>2,315,450</u>	<u>1,111,737</u>
	<u><u>6,231,700</u></u>	<u><u>5,855,406</u></u>

## 19. Marketing expenses

	2012	2011
	U.S. \$	U.S. \$
Media advertisements	2,702,219	3,499,854
Designs and exhibitions	188,003	207,411
Sponsorships	659,658	162,288
Promotions	289,480	50,578
Research	832,395	518,288
Other marketing expenses	<u>1,156,538</u>	<u>1,219,411</u>
	<u><u>5,828,293</u></u>	<u><u>5,657,830</u></u>

## 20. Basic and Diluted Earnings Per Share

	2012	2011
Loss for the year (U.S. \$)	<u>(23,826,190)</u>	<u>(26,179,253)</u>
Weighted average number of shares	<u>258,000,000</u>	<u>258,000,000</u>
Basic and diluted loss per share (U.S. \$)	<u>(0.09)</u>	<u>(0.10)</u>

## 21. Commitments and contingencies

As of the financial statements date, the Company has outstanding contractual commitments resulting from purchases, services and construction contracts, as well as its license.

Following is a summary of the outstanding commitments:

	2012	2011
	U.S. \$	U.S. \$
Contracts and purchase orders	<u>242,231</u>	<u>226,277</u>
License*	<u>159,653,346</u>	<u>159,653,346</u>

\* As disclosed in (Note 4) to the financial statements, the Company entered into a license agreement with MTIT for a total price of U.S. \$ 354,000,000. The unpaid portion of the license cost, net of the related non-current liability, of U.S. \$159,653,346 represents the unrecognized liability in the financial statements resulting from MTIT not fulfilling its obligations in relation with granting the Company access to Gaza and 3G frequencies.

The Company entered into an agreement to lease the office building on January 27, 2007. During 2012 the company renewed the contract for additional 5 years for a total amount of U.S. \$ 2,633,046 with an option to renew the contract.

Following is the future minimum rentals payable under non-cancellable operating lease:

	U.S. \$
Within one year	407,062
After one year but not more than five years	<u>2,225,984</u>
	<u>2,633,046</u>

## 22. Related party transactions

Related parties represent associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the statement of financial position were as follows:

	Nature of relationship	2012	2011
		U.S. \$	U.S. \$
Interest-bearing loans and borrowings (note 13)	Shareholder	<u>5,000,000</u>	<u>5,000,000</u>
Due to related parties (note 14)	Shareholder	<u>163,089</u>	<u>219,275</u>
Accounts receivable	Shareholder	<u>2,659</u>	<u>7,368</u>
Accrued interest	Shareholder	<u>773,198</u>	<u>467,818</u>

Transactions with related parties included in the income statement were as follows:

	2012	2011
	U.S. \$	U.S. \$
Finance costs	<u>305,380</u>	<u>305,089</u>
Key management personnel compensation	<u>782,301</u>	<u>396,712</u>
Revenue from shareholders	<u>36,709</u>	<u>39,157</u>

## 23. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and cash at banks, cash restricted at bank, accounts receivable and some other current assets. Financial liabilities consist of accounts payable, interest-bearing loans, other non-current liability, due to related parties, and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

## 24. Risk management

### Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (short term bank deposits and Interest bearing loan and borrowings). The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2012. There is no direct impact on the Company's equity.

	Increase/decrease in basis points	Effect on income statement for the year U.S. \$
<b><u>2012</u></b>		
U.S. \$	+15	(87,972)
U.S. \$	-10	58,648
<b><u>2011</u></b>		
U.S. \$	+15	(69,710)
U.S. \$	-10	46,473

#### Foreign currency risk

The table below indicates the Company's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the U.S. \$ currency rate against the Israeli Shekel (ILS), with all other variables held constant, on the income statement.

	Increase/decrease in ILS rate to U.S. \$	Effect on Income statement for the year U.S. \$
<b><u>2012</u></b>		
U.S. \$	+5%	414,713
U.S. \$	-5%	(414,713)
<b><u>2011</u></b>		
U.S. \$	+5%	451,738
U.S. \$	-5%	(451,738)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Most of the Company's customers are prepaid card customers. The maximum exposure with respect to customers is the carrying amount as disclosed in (Note 9).

With respect to credit risk arising from the other financial assets, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

### Liquidity risk

The Company limits its liquidity risk by securing bank loans and funding from shareholders.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2012, based on contractual payment dates and current market interest rates.

<b>31 December 2012</b>	Less than 3 months U.S. \$	3 to 12 months U.S. \$	1- 5 years U.S. \$	Over 5 years U.S. \$	Total U.S. \$
Interest-bearing loans and borrowings	1,162,650	15,487,950	87,026,473	9,872,625	113,549,698
Accounts payable	7,477,286	-	-	-	7,477,286
Due to related parties	-	163,089	-	-	163,089
Other current liabilities	46,274	-	-	-	46,274
Other non-current liabilities	-	-	54,346,654	-	54,346,654
<b>Total liabilities</b>	<b>8,686,210</b>	<b>15,651,039</b>	<b>141,373,127</b>	<b>9,872,625</b>	<b>175,583,001</b>

<b>31 December 2011</b>	Less than 3 months U.S. \$	3 to 12 months U.S. \$	1- 5 years U.S. \$	Over 5 years U.S. \$	Total U.S. \$
Interest-bearing loans and borrowings	8,911,295	9,444,544	59,133,952	-	77,489,791
Accounts payable	5,840,932	-	-	-	5,840,932
Due to related parties	-	219,275	-	-	219,275
Other current liabilities	70,775	-	-	-	70,775
Other non-current liabilities	-	-	54,346,654	-	54,346,654
<b>Total liabilities</b>	<b>14,823,002</b>	<b>9,663,819</b>	<b>113,480,606</b>	<b>-</b>	<b>137,967,427</b>



## **25. Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and the year ended 31 December 2011. Capital comprises paid-in capital, share premium and accumulated losses, and is measured at U.S.\$ 112,690,881 as at 31 December 2012 (2011: U.S.\$ 136,517,071).

## **29. Concentration of risk in geographic area**

The Company is carrying out the majority of its activities in Palestine. The political and economic situation in the area increases the risk of carrying out business and may adversely affect the performance.

## Glossary of Terms

### **GSM (Global System for Mobile Telecommunications)**

A digital system for telephone telecommunications used by more than two billion users in 212 countries around the world. The GSM system transfers data into digital form, compresses them and sends them across a telecommunication conduit in parallel with two other circuits carrying the user data, with each circuit occupying its own time scope.

### **2G (Second Generation)**

2G is the acronym referring to the mobile information technology belonging to the second generation. This technology encrypts voice into a digital form to become less prone to interference or duplication.

### **3G (Third Generation)**

3G is the acronym identifying a new generation in the mobile telecommunications system that was applied after the release of the second generation (2G). This generation provides enhanced services, such as multimedia and video. The main technologies in the 3G scope include the UMTS and CDMA2000 systems.

### **GPRS (General Packet Radio Service)**

GPRS is a radio data service for the directed bundle, available for 2G users of mobile telecommunication GSM systems. GPRS provides data ranging between 56 and 114 kilobits per second.

### **SMS (Short Messages Service)**

SMS is a telecommunication protocol that permits the exchange of short text messages among mobile telecommunication systems.

### **MMS (Multimedia Messages Service)**

An acronym for messaging systems that permit sending messages containing multimedia components (images, voice, video and enhanced text). MMS services are basically applied in mobile networks in addition to other messaging systems such as SMS and Mobile Instant Messaging, as well as mobile emailing service.

### **GSMA (GSM Association)**

GSMA is an association of mobile operators and related companies devoted to supporting the standardizing, deployment and promotion of the GSM mobile telephone system. The GSM Association was formed in 1995.

### **WAP (Wireless Application Protocol)**

WAP is an acronym which refers to the international standard for applications using mobile communications. WAP provides the potential for accessing the internet through a mobile telephone device.

### **ARPU (Average Revenue per User)**

ARPU is an acronym which refers to the revenue from one user of a mobile phone or a pager or other similar device for a specific period of time, normally one month.

### **EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)**

EBITDA is an acronym which refers to the Company's operations profits before deducting interest, taxes, depreciation and amortization.



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